



Konrad  
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**Emanation of new social order under  
globalization and technological revolution**



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**Session**

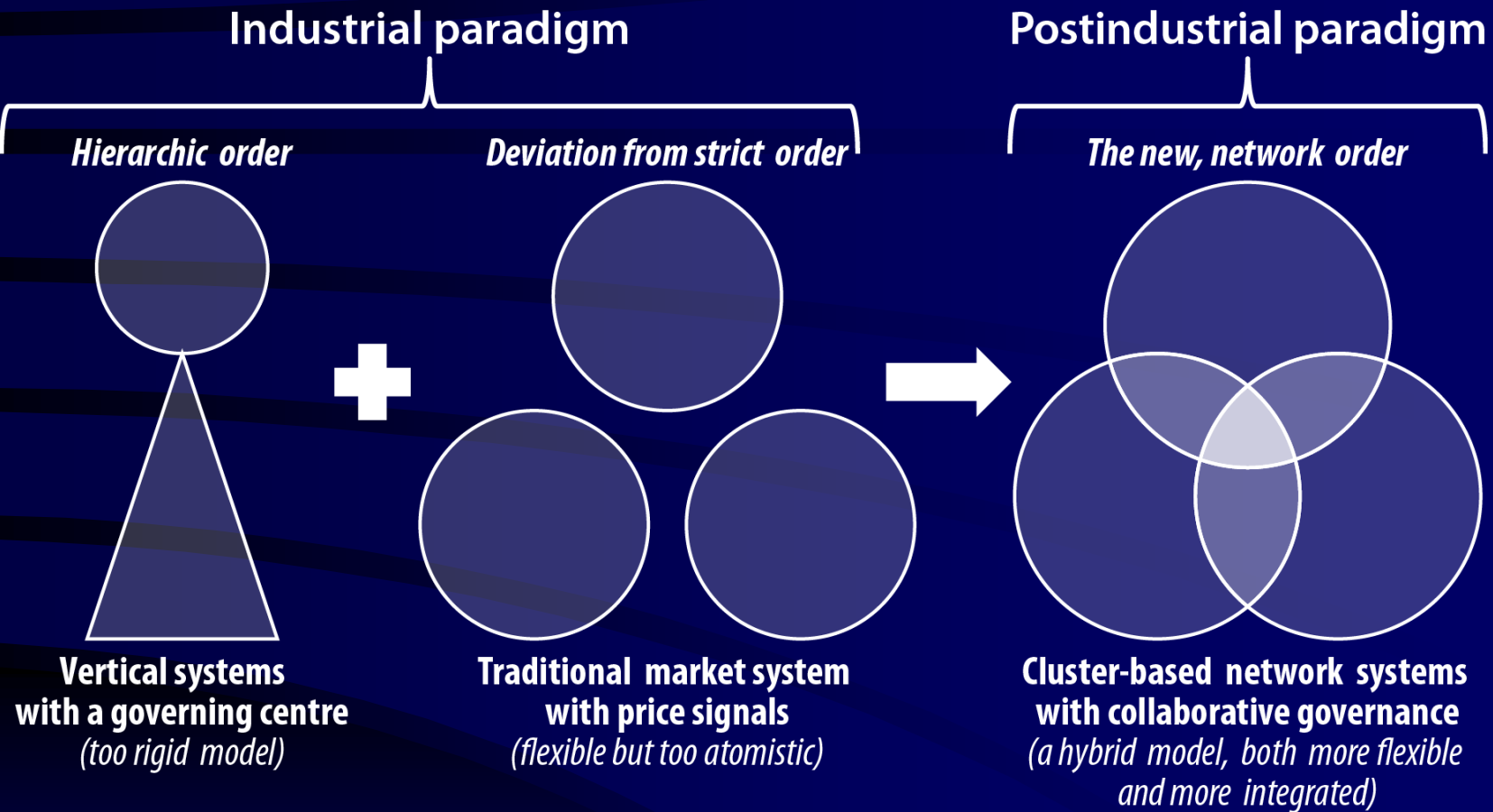
**“Is globalization a deadlock for a social market economy?”**

Contemporary institutional economics aggregates Eucken's principles of a social market economy into 4 broad categories and gives them a modern interpretation

Modern categories	Eucken's principles
<b>1. Competitive and Efficient Markets</b>	Open markets
	Effective price system
	Competition
<b>2. Efficient Property Rights</b>	Property rights
	Freedom of contract
	Liability
<b>3. Economic and Ecological Sustainability</b>	Financial stability
	Consistency of Policy
	Efficient environment policy
<b>4. Social Inclusion</b>	Effective labor markets
	Social mobility

Source: *Bertelsmann Stiftung (2012). Index of Modern Social Market Economies*

# Emanation of a network order in the global economy - a functional synthesis of hierarchic and market ways of social coordination



*N. Smorodinskaya. The Globalized Economy: from Hierarchies to a Network Order. Moscow: IE RAS, 2015*

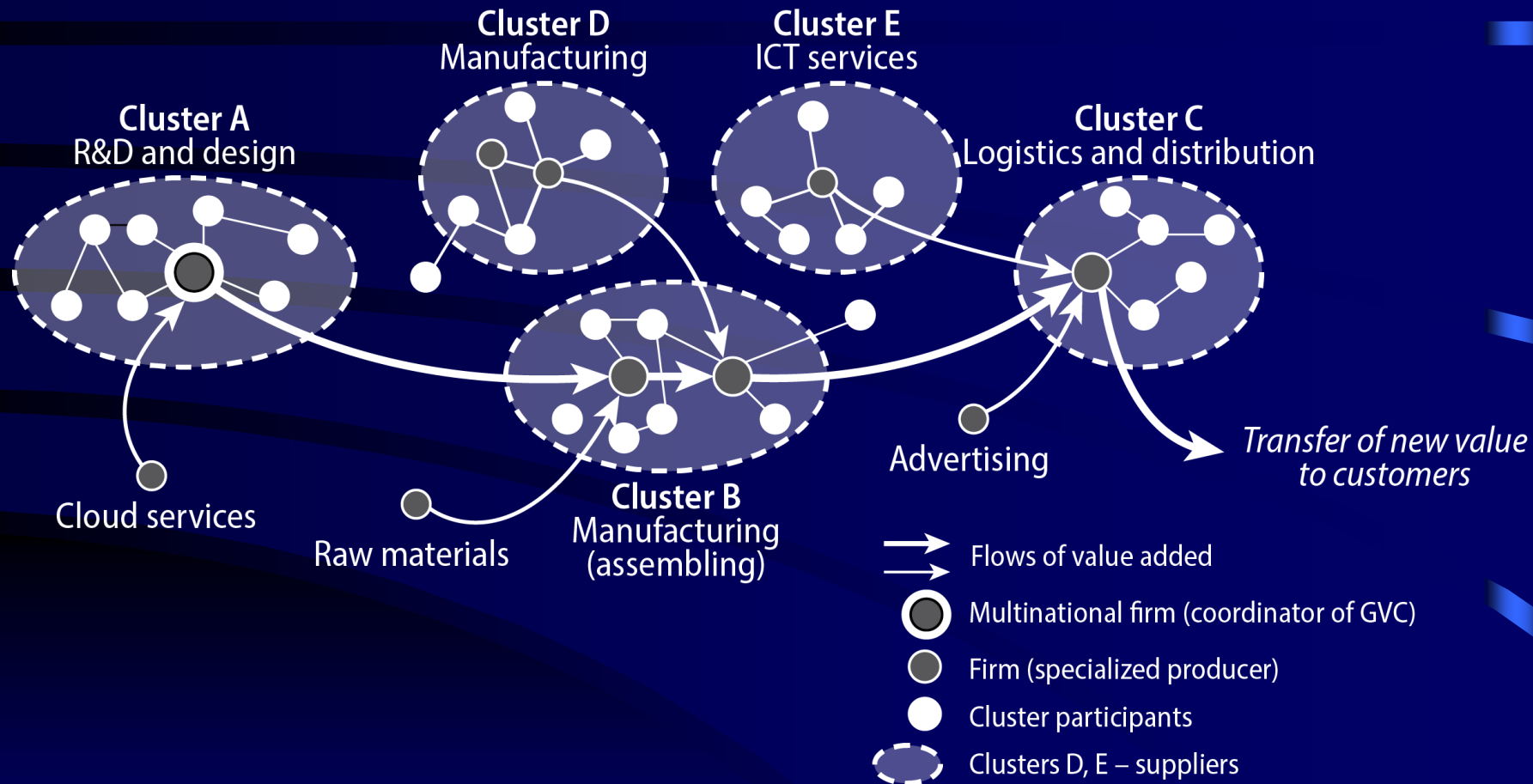
Global economy and all its sub-systems are increasing their complexity to become **complex adaptive systems**. **Agile cluster networks are becoming new building blocks of modern economies**, which adapts them to a sharply raised uncertainty (hyper-volatile global environment) and orients them to innovation-led growth

**Nowadays, final goods are produced not within a single country but within global value chains.** GVCs are horizontally crossing countries and territories, with value added flows circulating between their cluster nodes



Nodes 2, 3 and 4 create intermediate products which are assembled as inputs at node 1 (i.e. the final product). Node 4 itself creates an intermediate product composed of inputs from 5, 6 and 7.

GVCs are organized as flexible networks of legally independent firms that collaborate within a common project. Each producer realizes its unique business-task in the chain and usually belongs to a local cluster. **Clusters are becoming highly specialized local nodes of GVCs**



*Source: author's design based on Coe, Dicken, & Hess, 2008; De Backer & Miroudot, 2013; Gereffi et al., 2005; and others*

**Regional innovation clusters** are sophisticated network ecosystems for co-creation of new products through collaboration (interactive cooperation) of actors of various profiles

- Activities are coordinated through *a cluster organization* – a member-based network that essentially includes actors from business sector, government sector and academia (**Triple Helix Model**)



*Source: author's design based on TCI 2013, Napier & Kethelz, 2014*

Clusters of triple-helix design are assuming the role of new building blocks of national production systems – as the most convenient type of networks for innovation-led growth

### **Creative and complementary reshuffling of shared assets in an innovation cluster**

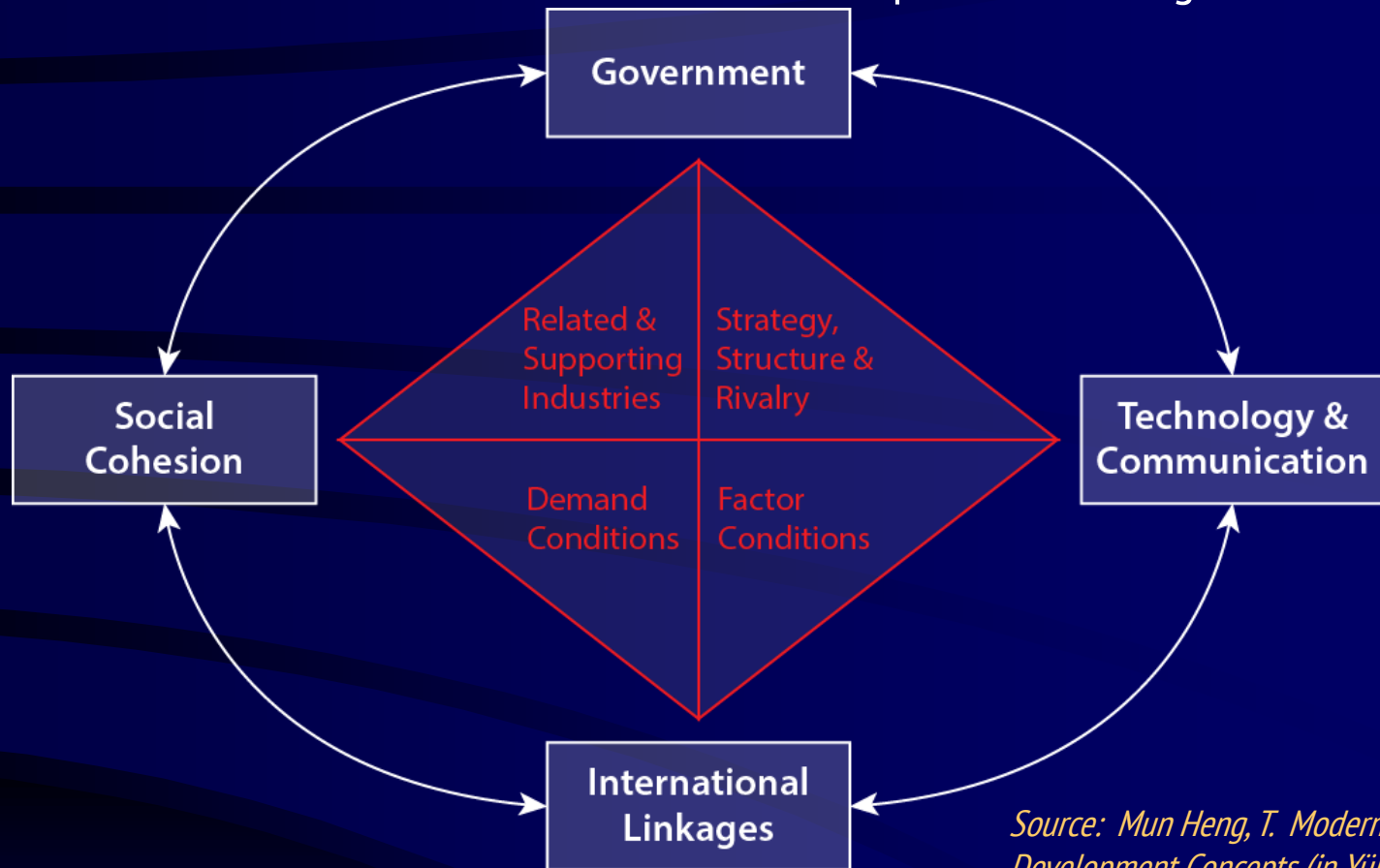


*Sölvell, Ö. Clusters – Balancing Evolutionary and Constructive Forces, 2009*

Collaborative cluster actors assemble and reassemble their varied assets and competences in innumerable emergent configurations, which allows them to continually co-produce innovative products and achieve productivity growth under high uncertainty



## Porter's Diamond model in a globalized and non-linear world: determinants of nation's development advantages

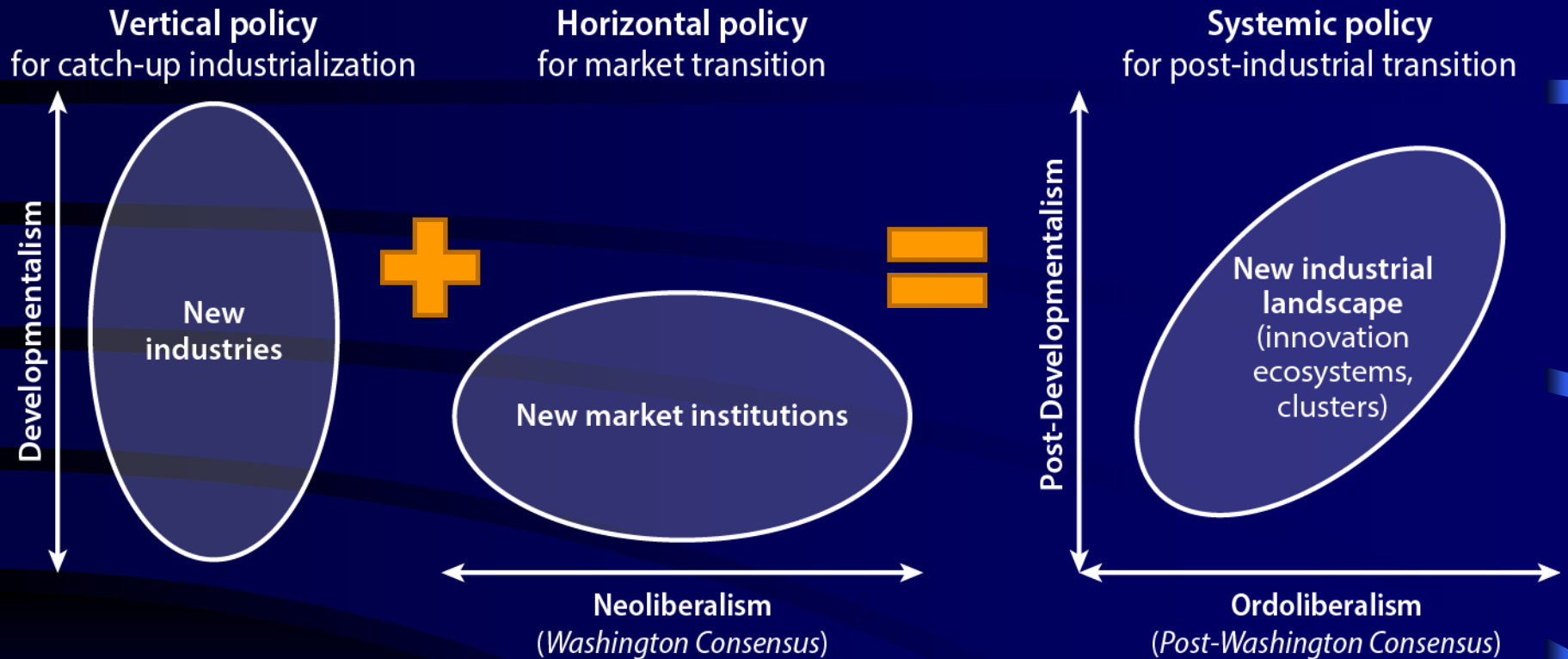


Source: Mun Heng, T. *Modern Economic Development Concepts* (in Yülek, 2015)

1. Persistently improve economic environment (4 sides of Diamond in interconnection) to support favourable context for continual self-appearance of new innovation clusters (Porter 1990). *Institutional competitiveness*
2. Facilitate international and export linkages of national actors (to enter GVCs or create new ones)
3. Create regional and national platforms for interactive dialogue in policymaking (social cohesion)
4. Facilitate all types of communication and horizontal linkages across economy



## Evolution of industrial policy towards a systemic model – a functional synthesis of classical (vertical) and neo-liberal (horizontal) models.



*Source: author's design based on Rodrik 2004; Warwick 2013, and others*

**Systemic model** aims at providing favourable environment for continual self-emergence of new innovation ecosystems, and hence, at ecosystemic transformation of industrial landscape.

**Contemporary ordo-liberalism is relevant for systemic model**, when the government plays a new role of a network facilitator and coordinator (to develop collaborative partnerships between various actors)



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*Thank you for your attention!*

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