

The Role of Institutions in Cross-Border Regions

Theoretical Reference Points

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Introduction

IN THE current European context, the Europe 2020 Territorial Agenda Strategy underlines the importance of cross-border regions and sets territorial integration in the functional cross-border areas as one of its priorities. Also, the Agenda includes recommendations for the Member States to pay special attention to the areas located at the borders of the European Union with the partner countries and, also, to take into consideration the needs of creating integrated cross-border areas in terms of legal provisions. The territorial integration and cooperation may create a critical mass for development, by reducing the economic, social or environmental fragmentation and creating mutual trust or social capital. Therefore, in order to explore the potential of cross-border regions and make them functional, we need an adequate and coordinated policy that brings together the main stakeholders, and a strong governance, doubled by a mutual will to cooperate.

This paper is part of a broader research that aims to prove that institutions and transaction costs play an important role in the economic growth and resilience-building of cross-border areas. We intend this article to be a part of a more extended analysis of the state of knowledge in the fields related to cross-border regions, within a multidisciplinary approach: institutional economy, institutionalism, cooperation and partnership theories, cross-border cooperation, games theories, resilience, institutional and social change, transaction costs.

Therefore, the specific research goal of this paper is to identify the main institutions involved in the development of cross-border regions that may induce social and policy changes, or which can provide better support for economic activities and increase the capacity of avoiding or mitigating the negative effects of external shocks. Besides providing an inventory, we question the role or the possible contributions of these institutions to cross-border cooperation in the region and we intend to determine whether there are specific institutions for the cross-border areas or the institutional frame is similar to that of any other region. In this article, we consider institutions to have a dual meaning: firstly, we consider them to be rules and good practices, and, secondly, we consider them organized entities from the public, private and civil society.

After identifying some researches on institutions useful to our study on cross-border regions, we structured our paper into four sections: elements for a definition, types of institutions, other views in support of the multidisciplinary approach, and features of institutions.

The findings of this paper represent the starting point of a multidisciplinary study/report on theories applicable to cross-border regions that will contain three main chapters: institutional economy and transaction costs; cooperation, partnership and game theories; resilience and social change.

The research methods used for this article are the ones specific to the literature review, namely, analysis and structured synthesis, for which we used as sources a number of relevant articles, books and other official papers in relation with the previous researches we made in the field of cross-border regions.

One of the basic aims of this paper is to provide a theoretical background in order to prepare an institutional frame for understanding cross-border regions in a multidisciplinary approach. Therefore, due to the complexity of interactions and phenomena in cross-border areas and due to the differences that characterize these territories, we had to analyse scientific literature from different fields, such as: institutional economy, institutional theory, law, political sciences, and sociology. However, we did not intend to perform an extensive analysis on institutions, mostly because there are already a number of works in the Romanian scientific literature that approach the institutional economy concept in depth and from multiple fields (Pohoăț, 2009), or which focus on the economic dynamics from an institutional perspective (Socoliuc, 2014).

Relevant Theoretical Aspects On Institutions

Elements for a Definition

IN SOCIOLOGY, there is the well-known definition of Émile Durkheim, generally accepted by later researchers, which states that institutions are a set of beliefs and all kind of behaviors foreordained by the community, and therefore sociology is the science of institutions, their creation and functionality (Durkheim, n. d.). A more structured and up-to-date definition, used as a reference, is the one proposed by Richard Scott: “Institutions comprise regulative, normative, and cultural cognitive elements that, together with associated activities and resources, provide stability and meaning to social life” (Scott, 2014).

The general dictionary definition refers to “a set of structures, norms and personnel with a relatively stable nature that fulfils a function/a group of functions that satisfies the society needs. There may be political institutions, juridical institutions, social institutions, economic institutions, etc.” (Tămas, 1996).

From a general perspective, the juridical institution is defined as a set of juridical norms that govern a unitary group of social relations, therefore, juridical relations (Bălan, 2008).

Another structured opinion, closer to the field of law, considers institutions as relatively stable structures and patterns of social relations that persist during one or more historical periods of time. These usually function on the basis of written rules and by their creation specific aims are pursued (Deaconu, 2012).

One well-known opinion on institutions, used by many research papers in institutional economy and other connected fields, belongs to Douglas North: “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interactions.” D. North set up the underlying framework for the integration of institutional analysis into economics, by examining the nature of institutions and the consequences for the economic activity, and also by outlining a theory of institutional change for understanding the performance of economies (North, 2017). Considering that our interest area is economic growth in cross-border areas, the frame that North proposes is an adequate starting point. He makes a distinction between institutions and organizations, as the difference between rules and players, the latter rising and evolving under the influence of the former. Nevertheless, the organizations are “agents of institutional change” (North, 2017) and in approaching cross-border cooperation and the development of peripheral regions, it is essential to consider these actors—the organizations—when the aim is to set up a specific policy or strategy. Subsequent to the coherent definition of the term “institutions,” in a previous research, we proposed a frame for setting a development strategy for cross-border regions where the main organizations exemplified by North are the main nodes of the architecture (Slusarciuc, 2016). In the present paper we intend to extend the network of actors by adding some from different areas—political bodies (political parties, Parliament representatives in the area, alongside the regional/local public administration), economic bodies (trade unions and cooperatives, alongside the companies, business associations or local action groups), social bodies (churches, sport associations, alongside the non-governmental organizations) and educational bodies (vocational training centers and schools, alongside universities or research centers).

In an attempt to understand institutional diversity, E. Ostrom gave a broad definition worthy of consideration: “institutions are prescriptions that humans use to organize all forms of repetitive and structured interactions including those within families, neighborhoods, markets, firms, sport leagues, churches, private associations, and government at all scales” (Ostrom, 2005).

As noticeable from the short review of the definitions above, general and specific field-oriented, there are multiple conceptual meanings attributed to the term ‘institutions,’ a conclusion also reached by other researchers (Ostrom & Ostrom, 2014). In our research, we will consider institutions as rules (written or unwritten) and long-term practices, but we will also focus on entities/organizations as agents of change.

Types of Institutions That May Be Involved in the Cross-border Area

THE INSTITUTIONS may be grouped according to different criteria (Deaconu, 2012), out of which we consider relevant for our research: the purpose criterion (political institutions, juridical institutions, economic institutions, religious institutions), the activity area criterion (regional, national, international) and the juridical validation criterion (official institutions, unofficial institutions). The frame we intend to outline follows this grouping. Therefore, in what follows we shall approach the institutions according to it and we shall try to identify the institutions involved in the cross-border area.

The term ‘political institutions’ was used in various contexts to replace the term *constitutional law*, but one of the actual meanings of ‘constitutional law’ is the law that applies to political institutions: the general state organization, the political regime, the governmental structure, elective rules, parliament, government, head of state. Maurice Duverger, in a sociological “demystifying” approach, concludes that political institutions are the object of a permanent competition between social groups, a constant struggle, where the institutions are both the means and the end (Duverger, 1965). In search of a significance for the term *political institution* in relation with constitutional law, the aforementioned French professor identified the need of a change in orientation from a scientific point of view: firstly, by extending the traditional study field so as to include political parties, the public opinion, mass-media, pressure groups, and secondly by modifying the points of view in the traditional approach in order to define the effective functionality of these institutions as written in the legal acts. In a current perspective, political institutions are forms of juridical institutions through which power is exerted (Deaconu, 2012). In terms of administrative law and constitutional law, we find the notion of ‘power’ as an organized force that belongs to an individual or to a group, materialized in its capacity to define and accomplish the general interests of the group, asserting its will to all the members, legitimately using coercion or repression when needed. Therefore, from an administrative institutional point of view, the power is embodied in different organisms with transferred attributions or power functions (Bălan, 2008). There is a deep interdependence between politics and law, as politics is the science and practice of governing the state, while the main political institutions and the law are the instrument of accomplishing the political aims. The field of political institutions is larger than the field of state institutions (ruled by law and invested with authority). These include the political parties involved in governance, as well as the rules and the patterns of specific manifestation of civil society in the so-called ‘political organizations’. The latter ones are formal or informal groups that represent larger categories that exert influence, pressure, lobby for/against the leading political parties (trade unions, lobby groups, pressure groups, etc.) (Deaconu, 2012). Considering the relation identified by Duverger, in the constitutional law theory, political institutions are defined as bodies empowered to exert political power and the rules of organization of these bodies (Muraru, I. and Tănăsescu, E.S.), or as bodies and institutions that compete individually or together in the unitary exercise of political power (Ionescu, C.), or as set of rules for the political game (Dănișor, D.C.). All these definitions are referring to the state, the bodies which are exerting the power and the government. Each of the political institutions has certain functions, an organizational structure and specific working methods in their involvement in the government process (Deaconu, 2012). Proposing a more structured definition, Deaconu states that political institutions are all the state and non-state political bodies of citizens through which the political power is exerted in a country or in an entity with state character. Because most of the political institutions and their governing rules are embedded in law, they are also the subject of constitutional law, as a common playground for politics and law. The main political institutions are the ones representing the three powers: Parliament (legislative power), Government/Cabinet, the Head of State (executive power), the juridical system (juridical power), together with the polit-

ical parties and the other aforementioned political organizations. In the framework of our paper, these political institutions from two neighboring countries are the main decision makers in terms of the rules of state and mutual diplomatic cooperation, or in terms of membership to intergovernmental structures (through treaties and cooperation agreements, trade agreements, etc.). Both types of decisions influence the formal/institutionalized frame of cross-border cooperation at the frontiers between the two states. Moreover, in each country, the political institutions establish the national system of market institutions, set the tax policies and investments regime, stimulate research and development, set the rules for financial capital funds, and they may establish specific institutions for cross-border areas (such as border traffic, border management rules, etc.), infrastructure connectivity policies, etc.

In the field of administrative institutions, we consider relevant the notion of a 'public administration' that aims to fulfil the public interest and utility, mostly by way of public services. In this case, we have a double meaning of 'institutions': firstly, the set of rules meant to organize the execution and the implementation of the law, and secondly, the system of bodies that implement the specific activities of organizing the execution and the implementation of the law (Bălan, 2008). In cross-border areas, these administrative bodies, usually called 'public administration' or 'public institutions,' are important actors, deeply involved in cooperation at national, regional and mostly local level, due to their long-term stability in terms of rules, aims and activities (Slusarciuc, 2016).

MacCormick distinguishes two sides of the institutions in the frame of contemporary state law: on the one hand, institutions as an important element of law (property, marriage, trust, etc.) named 'institution-arrangements,' and, on the other hand, the connection with 'institutional law' as organized and managed through courts, police forces, prosecution agencies, legislatures, cabinets or government departments or similar, named 'institution-agencies' (MacCormick, 2009). To these he adds the 'institutions-things' as various forms of invisible, non-tangible objects resulted from legal provisions (companies' stocks/shares, copyrights, patents, etc.). Therefore, in his work we encounter three meanings worthy of consideration—a set of rules, entities/organizations, and intangible objects issued by the law.

In the Romanian scientific literature, juridical institutions are defined as the entirety of juridical norms that regulate a certain unitary group of social relations, establishing a separate category of judicial relations, such as judicial norms that govern social relations linked to property, marriage, citizenship, etc. (Deleanu, 2006). In order to be included in the juridical institutions, the social elements should be durable, as the elements of accidental or transient nature may not constitute juridical institutions (Dănișor, et al., 2008). In the cross-border context these types of institutions become relevant for their potential effect to boost or block cooperation, the migration of people from one side of the border to the other, or the mixing of communities on the border. For example, in the case of the Romania-Ukraine border (mainly in the Suceava/Botoșani-Cernivtsi segment), after the start of the conflict in Eastern Ukraine in March 2014, we see an increase in population migration from the Ukrainian side of the border into Romania and in the number of Romanian citizenship applications, based on family history or genealogy. It would be of interest to research and analyze which was the ratio between the people

that remained in the Romanian border area, securing a job or starting a business, and the ones who used the citizenship opportunity to migrate further to other, more developed European Union member states. Also, it would be relevant to observe the dynamic of the flow and the aforementioned ratio before and after the conflict started, considering that citizenship rules have not changed in recent years.

Economists consider institutions as “humanly devised constraints that shape interactions in an economy, including formal rules embodied in constitutions, laws, contracts, and market regulations, plus informal rules reflected in norms of behavior and conduct, values, customs, and generally accepted ways of doing things” (Todaro & Smiths, 2015). Therefore, from this point of view the institutions studied as the core of economic development include the ones supporting the market economy: rules on property rights and contract enforcement, coordination among agents/agencies/organizations/actors, rules concerning the restriction of fraudulent anticompetitive behavior, mechanisms that allow access to opportunities for larger categories of population (substantial market information on prices, quantities, quality of products/resources, credit facilities), rules that reduce the power of the elites or manage the conflicts in economic life. There can be added the institutions focused on social insurance or on the provisions for a predictable and stable macroeconomic environment (a stable and trustworthy currency, a developed and regulated banking and insurance system, social norms facilitating trustable and long-term business relationships) (Todaro & Smiths, 2015). One fundamental institution, from both a legal and an economic point of view, is the *contract*. In this area, Fr. Hayek underlined the importance of contract liberty as part of the individual liberty, which means that the legality of an act depends on general rules and not on the formal approval of the authority. Therefore, the effect and the execution of the contract should depend only on well-known, general rules that determine the rights and are applicable on equal terms to all persons and not on the approval of the contract provisions by a governmental body. Moreover, the law should establish the consequences that rise from concluding a contract, as general rules that give predictability, and the individuals use their freedom in establishing the useful contracts for fulfilling the individual purposes (Hayek, 1998). H. Hazlitt, in his ethics searches, considers as basic institutions of capitalism: private property, free markets, competition, the division and combination of labor, and social cooperation, not existing as separate institutions but mutually dependent, implying each other (Hazlitt, 1994). Even if since the publication of his work in 1964, many researchers in institutional economics have come up with updates and new analytical views, we shall also consider his findings as support literature for our work, mainly due to the structured and in-depth, clear, valid, social and philosophical approaches, all from a pragmatic perspective.

In the research on the cross-border region institutional frame, we shall include at least the abovementioned types of institutions, both theoretically and empirically, focused on a certain cross-border area.

Other Relevant Views on Institutions

WE HAVE also identified several researches that will make our cross-border regions analyses more valuable due to the specific topics approached.

The topic of institutions is a major issue in the debates about the use of natural resources (common-pool resources or the ‘commons’) and the related divergent interests—the economic ones, for individuals or companies, as short-term gains, and the sustainability ones, as to limit the use of the resources for long-term viability (Ostrom, 1990). The mediation among these two main interests requires in-depth analyses of various cases and the identification of the required institutional changes. From this point of view, the approach may provide valuable hints and elements adequate to the cross-border regions, mainly because most of them share geographical elements with related natural resources (rivers, seas, lakes, mountains or other natural resources) and because the actors from the regions should jointly and efficiently manage them for mutual, long-term benefit.

In relation to the public administration (as the connection between the political sciences and administrative law), the institutions were studied in the frame of public choice theories due to the nature of public goods and services, the constitutional provisions related, and the collective action affected by the decision structures that are managing the public goods and services (Ostrom & Ostrom, 2014). From the multiple meanings of the term ‘institutions,’ E. Ostrom chose the one of rules as “the means by which we intervene to change the structure of incentives in situations,” where changeability is one of the key characteristics.

An approach that has a specific relevance for our research on cross-border areas concerns the ‘institutions of governance,’ considered separately from the institutional environment (“the rules of the game that define the context in which economic activity takes place”). It is viewed in relation with transaction costs and focuses on markets, hybrids, hierarchies and bureaus (Williamson, 1996). In the meaning proposed by Williamson, the market is “the arena in which autonomous parties engage in exchange,” while the hybrid is represented by “long-term contractual relations that preserve autonomy but provide added transaction-specific safeguards, compared with the market.” In this representation, ‘safeguards’ mean added security provisions introduced in a contract for reducing hazards and increasing the partners’ confidence. The hierarchy means the type of transactions that are between a buyer and a supplier with the same ownership, administratively controlled and managed by a hierarchy; within it, the staff responsible for planning, information processing, executive decisions implementation/operationalization or performance auditing is named ‘bureaucracy’ (Williamson, 1996).

We have also identified a work that makes a connection among complexity science, institutions and public policy (Room, 2011) and is related to our previous researches. In an earlier paper, we explored cross-border areas as complex systems, and the research resulted in an incipient design for the economy of these areas (Slusarciuc, 2014). Beyond the connection between these fields, Room dedicates a section to the institutional architecture based on: multiple terrains with most actors involved simultaneously, multiple processes and multiple tiers. We undertook a similar endeavor, but based on the meaning of ‘institution’ as an entity, which in the frame of the present paper is more similar to the ‘institution-agency’ concept, as previously seen in MacCormick’s approach.

To enlarge our multidisciplinary approach, we include in our database of research literature the historical view on institutional dynamic that offers a conceptual, analytical and empirical framework to understand the institutions (Greif, 2006). The remarks

and conclusions Greif included in his work are of use to us, due to the game theory equilibrium analysis focused on ‘institutions-as-equilibria’ and ‘self-enforcing institutions.’

We also include two more researches: the first one, in the field of regional development, explores the debates on the efficiency of institutions and makes a distinction between the ‘institutional environment’ and ‘institutional arrangements’ (the idea is not to target the institutions which shape the unique character of any territory, but to focus on the institutional factors that represent barriers against the efficacy of other factors that influence economic development—education, training and skills, innovation, infrastructure, etc.) (Rodríguez-Pose, 2013); the second one, focused on cross-border regional innovation systems, identifies some of the institutional obstacles of the area (Broek & Smulders, 2015).

Features of Institutions Relevant for the Research

IN THE following, we will present some of the features of the institutions identified in the scientific literature that we consider relevant for our research, respectively for the final long-term attempt to understand how change is possible and how, by using institutions, resilient cross-border regions can be built.

Based on a teleological view, John Rawls states that “those institutions and acts are right which of the available alternatives produce the most good, or at least as much good as any of the other institutions and acts open as real possibilities,” with the separate consideration of the ‘good’ and ‘right’ (Rawls, 1999). Also, he considers, a sine qua non condition is that the institution exists “at a certain time and place when the actions specified by it are regularly carried out in accordance with a public understanding that the system of rules defining the institution is to be followed.”

It is agreed that the conventional nature of a regular practice or institution should not be presumed (Durkheim, n. d.). Here we should make a distinction between the ones who made the ‘convention.’ In the case of good practices, we notice that there is a written or unwritten convention among the ones who are directly involved in applying the convention, while in the case of rules, as law or procedures, most of the times the convention is established by empowered bodies and in its application there are involved several actors, bodies or individuals. Also, the creation of institutions is not itself an aim but it serves certain social, economic, legal, scientific purposes etc. (Deaconu, 2012).

In the minimal form, an institution is a ‘convention’ or an agreement in the common sense of the term. Anthropologist Mary Douglas, in her research on the relation between institutions and the thinking of individuals, draws attention to David Lewis’ definition of ‘convention.’ A ‘convention’ arises when all the parties involved have as their mutual interest the existence of a rule that provides coordination, any of the sides will not provoke a conflict of interests and will not deviate from the established rule except in the case when the agreement is terminate (Douglas, 2002). In the same research, she observes that the acceptance of an institution is essentially an intellectual, economic and political process. To become legitimate, any kind of institution needs a formula to ground the rational just character and the appropriateness to the real world. Also, she considers that the conditions of emerging a new stable convention are quite strict; the communities are not becoming small institutions that further become larger insti-

tutions in a continuous project, but for a convention to become a legitimate social institution there is need for a parallel cognitive convention to sustain it (Douglas, 2002). We would add that, for a rule to be acknowledged and respected, the ones affected by the rule should comprehend it or, for a good practice to be extended, the ones who apply it should understand the mechanisms and the benefits. Moreover, we consider that, in the context of the past experience embodied in the institution rules, as Douglas states, to be more efficient in the rule/institution creation or updating, the groups affected by the rule or by the institution should be involved in the decision-making process (Stanescu & Slusarciuc, 2012). Moreover, the use of past experience may guide the future expectations and give a better control over uncertainties, and, as a consequence, individual behaviors tend to become more conform to the institutional requirements (Douglas, 2002). The major role of institutions is to decrease the uncertainty through the establishment of a stable interactive structure for individuals/entities, and the continuous change of the institutions as a consequence of rules change or the dynamic of environmental constraints should be taken into account (North, 2017).

Since political institutions are deeply interconnected with the legal institutions and subsequently they affect the economic institutions, we consider it useful to name some of their features and to make the connection with cross-border cooperation. According to Deaconu, the political institutions are formed by a collectivity of individuals, they are a durable system of rules with its own finality (power exercise in the name of the people) regarding a distinct group of social relations and constituted as a 'hierarchized totality' (Deaconu, 2012). The relevance to our paper is given mainly by durability and hierarchy. In terms of durability, we consider two sides: first comes the case of historical cooperation in the border area or between the two countries that may determine mutual political interest in a long-term perspective for cross-border cooperation (see the case of the Romania-Republic of Moldova cooperation), and secondly we have the case of previous powerful conflicts that may determine a long-term mutual lack of interest for real cross-border cooperation needs (see the case of Romania-Ukraine as an example for the second context). In the second case, time and efforts are required, based on existing strong cooperation between border communities, to improve the situation.

From the point of view of the law, there are two distinct elements related to institutions, as MacCormick states: an element of rule formulation and one element of rule administration. The second one contains additional elements, such as: the decision on how to apply a rule in case of conflicts or disputes, undertakings to maintain the appropriate facilities for applying the rule and to ensure the rule or decision enforcement or the good practices conformity (MacCormick, 2009). The distinction is relevant to our research mostly in the case of cross-border cooperation, with two different decision-making systems (from the two neighboring countries), because there is a continuous challenge to make the cooperation effective, *institutionalising* it, by setting up a frame of rules and an efficient structure for enforcing it.

In an analysis of economic development, Todaro and Smith conclude that the difference between the more developed countries and the emerging ones lies on the national economic, political, and social institutions (Todaro & Smiths, 2015). It is acknowledged by most researchers that the institutions determine the performance of an econ-

omy (for an in-depth analysis see Pohoacă, 2009). Still, there is one issue raised by D. North: what makes the institutions efficient? He identified two features that influence the way the “institutional matrix of economies” performs and that are part of the political process: the informal constraints and the transaction costs (North, 2017). The latter ones are, in the strict definition, the costs generated by the arrangements needed to conclude and to monitor a contract and, in the extended view, the costs of drafting, negotiating, and safeguarding an agreement (ex ante transaction costs) and the costs of maladaptation (if applicable), haggling (if it is necessary to correct the initial frame of agreement), setup and running costs linked to possible later disputes, the bonding costs for securing the commitments (Williamson, 1985). Because in our extended research transaction costs are an important topic, we shall detail this issue in a separate paper. The informal constraints are deeply related to the cultural frame and the values leading the application of formal rules, traditions of work, honesty, integrity and more (North, 2017).

In R. Scott’s definition cited in a previous section, we may identify the three pillars of institutions that he synthesized from the work of previous social researchers: the regulative, the normative, and the cultural-cognitive ones. The regulative pillar is based on rules establishment, rules conformity verification, sanctions/rewards/punishments, as the case may be, aiming to influence behaviour. He notices that most institutional economists view institutions in this manner. The normative pillar is formed of normative rules that give the dimensions of prescription, evaluation and obligation in the social life to conform to the core of values and norms. The cultural-cognitive pillar, explored mainly by anthropologists and sociologists, is based on “the shared conceptions that constitute the nature of social reality and create the frames through which meaning is made” (Scott, 2014). The patterning on these pillars may be useful for cross-border regions if we consider the knowledge or the intervention of institutional change type, in-depth and as complete as possible.

Summarizing, the main results of our initial survey of the literature on institutions outline a conceptual framework that we shall use for an in-depth further work, providing a more accurate image of cross-border regions, focusing on the specific institutions involved and the possible interventions likely to increase the resilience of these types of regions.

Discussion

THE IDEAS and researches mentioned in the previous sections are part of the baseline for our analysis of the state of knowledge in the fields related to the cross-border regions, within a multidisciplinary approach: institutional economy, institutionalism, cooperation and partnership theories, cross-border cooperation, games theories, resilience, institutional and social change, transaction costs. We also made connections between these works and our own previous works but there is still the need to analyze, label and map the specific patterns in the cross-border region field.

Going through the titles, we identified the main institutions that may be involved in the development of cross-border regions and may be used to induce social and poli-

cy changes for a better support to economic activities and to increase the capacity of averting or mitigating the negative effects of external shocks. Besides an inventory, we investigated the role or possible contributions of the institutions to the cross-border cooperation in the region, and we intended to identify if there are specific institutions for the cross-border areas or if the institutional frame is similar to that of any region on a national territory. It seems that, due to such an abundance of literature and to the diversity of fields in which the institutions are studied, we need to look further and have a more in-depth investigation in order to outline a more accurate theoretical image of institutions in the cross-border area. We identified researches on institutions that we may link to our study on cross-border regions and we structured the findings in four sections—elements for a definition, types of institutions, other views in support of the multidisciplinary approach, and features of institutions.

Beyond the general findings that we will use, we want to underline some points that will need special attention and maybe the involvement of researchers from other fields.

As mentioned above, the informal constraints (related to the cultural frame and values that lead to the application of formal rules, traditions of work, honesty and integrity) affect the way the institutions and institutions-agencies/organizations/entities are working and determine the economic performance in an area. There is no reason to believe that in cross-border areas, where we may apply adapted theories of regional economic development (Slusarciuc, 2013), the situation would be different. It may be more challenging, due to the many areas where differences may exist between the two sides of the border. In terms of informal constraints, one of the most circulated models should be taken in consideration, namely, Hofstede's 'cultural dimensions' (Hofstede, et al., 2012), adapted for the comparison of two cultural patterns from two neighboring countries. The results may provide clues on the size and types of cultural gaps, the degree of compatibility, and therefore on the chances to build a joint institutional frame in the cross-border area. If the cultural differences are significant on most of the dimensions in the model, it is more difficult or maybe impossible to 'negotiate' a viable institutional frame and to later implement it. If there is a similarity in the cultural patterns of the two communities, the chances of agreements and efficient results increase, but much also depends on the structure of the cultural dimensions. Anyway, in the approach to cross-border area development, the informal constraints should be considered and analyzed if there is a real mutual will of cooperation. Moreover, the 'negotiation' process for a 'cooperation agreement'¹ among the two institutional systems (social, economic, political, legal, cultural) generate transaction costs, that we deem to be in direct proportion with the cultural differences. Therefore, if the transaction costs are higher than a level to be determined by through research, the cooperation interest may lower. This is another path of scientific exploration, theoretical and empirical, that may link the transaction costs, institutions and cooperation in cross-border areas as a basis for development strategies.

Moreover, in terms of transaction costs, besides O. Williamson's focus on economic organizations/institutions (firms, markets, and relational contracting), we consider that the extension of the research area to all the actors involved and to the specific type of cooperation relations in the cross-border area should be explored further, in the part of the study focused on transaction costs.

In terms of R. Scott's approach, we believe that the first pillar, the regulative one, seems easy to acknowledge as far as its features can be identified and it is mentioned by the researchers in different fields. The second pillar, the normative one, may not be always easy to detect and shape and it may be assimilated to the first one (Pohoța, 2009). The third one, the cultural-cognitive pillar, becomes more relevant if we relate it to the ideas from the previous paragraph related to cultural dimensions. However, it seems obvious to us that between the three pillars there are overlapping areas, and also a strong interdependence. R. Scott adds up the observations and ideas about the importance of an 'alignment' between these pillars (Scott, 2014). Indeed, we consider that for our research, the concordance between these pillars could be explored if there is the will to build an efficient and coherent cooperation between border communities. As an example, in terms of a certain cross-border area, even if at a regulative level the national authorities jointly establish rules of cooperation, at the local level it may be difficult to cooperate in case of cultural-cognitive differences. We will keep the idea of three pillars, at least in the theoretical exploratory endeavor, but, in a later empirical stage of research on a specific cross-border area, depending on the institutions we'll find on the field, we may determine whether the hypothesis of combining the first two pillars is supported by data.

To Room's approach, which makes the connection between complexity, institutions and public policy and the institutional architecture he proposes, we may add our researches on cross-border areas (e.g. the 3H economic model of cross-border areas, development poles architecture with cross-border potential), and we may also refine our architectural model according to researches on the institutional component. Even if we found in Room's aforementioned book a rather soft development of the idea, it brings the processes into discussion, an element that could be useful to complement our cross-border architecture. Moreover, the connections he makes between the three fields of research may give hints on the specific work we carry out on cross-border regions.

Beyond a possible institutional frame based on the literature, it is still to be determined whether the institutions involved in cross-border cooperation are the already existing ones, but in a specific form, or we have new types of institutions.

Despite the eclectic appearance of this paper, the milestones set in this work will be the start of a section in a multidisciplinary study/report of theories applicable to cross-border regions, structured on areas such as: institutional economy, transaction costs, cooperation, partnership, game theories, resilience and social change.

The present survey shows that the topic of 'institutions' is very complex and covers a variety of research fields. Therefore, it seems that the approach based on the general common meaning of institutions as entities/bodies/organizations is not enough, as not only the actors involved in a public policy decision in cross-border regions should be considered, but also the rules of the game. If a real intervention for long-term resilience is intended, at least the aspects presented in this paper should be considered.



Notes

1. By ‘cooperation agreement’ we understand any kind of written or unwritten arrangements between entities from both sides of the border, be these national, regional, or local, which has a jointly agreed purpose, activities and resources involved.

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Abstract

The Role of Institutions in Cross-border Regions—Theoretical Reference Points

This paper is part of a research endeavor that aims to prove that institutions and transaction costs play an important role in the economic growth and resilience-building of cross-border areas. Therefore, the specific research goal of this paper is to identify the main institutions involved in the development of cross-border regions that may induce social and policy changes, or provide better support for economic activities and increase the capacity of averting or mitigating the negative effects of external shocks. The main results of our initial survey of the literature on institutions outline a conceptual framework that we shall use for an in-depth further work, providing a more accurate image of cross-border regions, focusing on the specific institutions involved and the possible interventions likely to increase the resilience of these types of regions.

Keywords

cross-border regions, institutions, economic development