Reclaiming Institutions as a Form of Capital

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RECLAIMING INSTITUTIONS AS A FORM OF CAPITAL

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ABSTRACT

Economists have recognized that "institutions matter" and the renewal of Institutional Economics has gained a large scientific authority, but institutions, as unit of analysis, stay a concept not understood on all its dimensions. Recently, the notion of "institutional capital" appeared in the literature, without neither satisfied definition nor demonstration. In this article, we adopt the "Resourced-Based View" approach to show that some kinds of institutions can theoretically be considered as form of capital, namely "institutional capital". The main conclusions of this article are explicated in the promises of this new approach for future researches on growth theories, economic development theories, organizational theories, and overall on New Institutional Economics. We underline the importance to test the empirical strength of this economic resource. Meanwhile, economists may accept that "institutional capital matters".

INTRODUCTION

Economists have recognized that "institutions matter" since few decades (Sachs, 2003), and have decided to complete the institution's description engaged in the Old Institutional Economics (OIE). The concept of institution has gained a large scientific authority, becoming a unit of analysis. But the concept stays a research object that is not understood on all its dimensions yet.

At the time when the institutional economics is renewed with the publications of Coase (1937, 1984, 1992), Williamson (1975, 1985, 2000) and North (1990, 1995, 2005), the concept of institutional capital appeared. In 1969, André Micallef published in the "Revue Economique" a treating article of the collective institutional capital. By this concept, the author understood the capital represented by "the stock of goods necessary for a real production or a whole of services" (Micallef, 1969, p. 4). He defined this stock as a source for the products of the national capital's specific part, and also distinguished the administration's general capital and the sociocultural capital. But this managerial vision made it possible to study the field of the public services. Thus, Micallef's theoretical design did not take into account the insights of the new institutional economics (NIE). His point of view on collective institutional capital cannot be useful for research in NIE as being interpreted by economists like Douglass North, Dani Rodrik, Geoffrey Hodgson, etc.

Since this first occurrence in the literature, the concept of institutional capital has appeared more than twenty years after. In 1996, Michael Trebilcock inaugurated the resumption of this concept in "*What Makes Poor Countries Poor? The Role of Capital Institutional in Economic Development*". Thereafter, this inaugural article opened the way to various publications: Picciotto, 1996; Palley, 2001; Khakee, 2002; Bresser and Millonig 2003; Ashan, 2003; Bauder, 2005; Fedderke and Luiz, 2008. These authors approached very differently the institutional capital. The cases in which a definition is proposed for the notion are rare. In addition, it lacks a theoretical junction with new institutionalism. Moreover, it lacks a demonstration of the scientific validity of this notion. Whereas the characteristics of the capital are known, it is not the case for institutional capital. There is thus a methodological insufficiency that this article wishes to contribute to fill.

The fundament of this article is to question the theoretical and scientific bases of the institutional capital. For that, we explore the economic literature relative to the concept of institutions, which is the institutional capital constituent. After having pointed out the more accepted definition of the institutions, we will propose a restriction for some kind of institutions, using the resource-based view approach. Then, we will demonstrate that such economic assets have the capital characteristics. A new definition for the institutional capital will be given and we will underline three main implications for future researches on economics.

WHY TO RECLAIM INSTITUTIONS AS A FORM OF CAPITAL?

Here is the main question that needs a scientific answer before talking about "institutional capital". Any valid answer should start with a useful definition of institutions.

Defining institutions, North's point of view

Institutions are the first type of resources to be accumulated in any society. However, the ambition of Emile Durkheim to make sociology the science of the institutions did not arrived to impose those like a central object of study in the disciplines of the social sciences. It was necessary to wait until the return of the institutions in the economic researches, with authors like Oliver Williamson, Douglas Cecil North, to highlight the importance of these resources as conditions of the economic performance (North, 1990).

In addition, the meaning of institutions was for a long time so perverted that the concept had been confused with organizations, in particular the officially registered organizations. However North, in his theory on institutions, did not underestimate the urgency to make distinction between the two concepts. He defines organizations as "the groups of individuals bounded together by some common purpose" (North, p. 361, 1994 cited in Hodgson, 2006). Whereas the institutions are "the human devised constraints that shape human interaction" (North, 1990). The organizations (such as associations, groups, communities, companies, trade unions, etc.) are not institutions and vice versa. Even if they participate both in structuring the economic agents' interactions, the institutions must be distinguished from the organizations (Arrous, 1999).

The concept of institution according to North is central in the analysis of the economic development process. Institutions are guides of the human interaction. They define and limit the whole of choice of the individuals (North, 1990, p. 4). More lately, North established the link with the definition of the economic growth. "The institutions provide the structure of incentives of an economy; at the same time as this structure evolves/moves, it works the direction of the economic change towards the growth, the stagnation or the decline" (North, 1991, p. 97). For this reason, one cannot claim that an economic policy can function without the institutions. Institutions are not only constraints.

In the direction indicated by North, we can go further and stress that "institutions are all (rules, standards, constraints, mechanism of incentive/constraint) that codifies the interactions between the economic agents". Such a definition makes it possible to exceed the formal/informal duality that is confused with the official/unofficial duality. This progressive codification of the rules leads us to prefer the distinction between "written/not written institution" to the "formal/informal institution", when it is a question of global typology of institutions.

From the preceding posture, we adopt North's approach: institutions are thus rules in force in a given social space. In a general way, we define them as "all that codifies the relations between the individuals". Institutions are operational if they are more or less collectively accepted. They can be integrated in the economic and social actors' behaviour. They can even become rules of behaviour. The concept of institution gathers at the same time the rules known as formal and/or informal, as well as the social norms.

However, in the definition of the notion of institutional capital, we adopt a restrictive posture. The institutions that compose the institutional capital are those considered as a resource for the economic agents.

Institutions as resources for economic agents, the RBV

Since the publications of Douglass North, establishing institutions as constraints and/or incentives for human actions, the perception of the institutions evolved. The actual trend perceives less and less institutions as constraints. The analytical framework called "Resource-Based View" provided by the theorists of management appears very usefully. This approach makes it possible to apprehend the institutions like resources for the individuals, in organizations.

The theorists of the Resource-Bases View (RBV) propose to answer a basic question "how the organizations (firms) obtain and maintain comparative advantages?" They supports that the answer to this question is in the fact of the possession of certain key resources, like values, barriers to duplication and appropriability (Fahy and Alan, 1999). It is Christine Oliver who, in "Sustainable competitive advantage: Combining institutional and resource-based views" (1997), integrated explicitly the institutions in this vision. Her analysis has been continued by Bresser and Millonig (2003). But one fundamental question is "what is necessary to understand by resource?"

Caves (1980) cited by Birger Wernerfelt (p. 172, 1984).provided us an interesting definition of the concept of resource. His definition was taken reproduced by Wernerfelt (1984). According to Caves, in the case of the organization, "a firm's resources at a given time could be defined as those (tangible or intangible) assets which are tied semipermanently to the firm" (p. 172, 1984). Based on this conception, Wernerfelt admits that elements such as "trade contacts", "efficient procedures", "capital", etc., are resources for the organization (ibid.). His observations, as developed after by the continuators of the RBV, enabled him to note that "in some cases, a holder of a resource is able to maintain a position relative *vis-a-vis* other holders and third persons, as long as these act rationally" (ibid p. 173). From there, Bresser and Millonig (2003) develop the idea of comparative advantages.

Generally, a resource is defined as "Something that can provide satisfaction to a need, what can improve a situation" (Le Robert, 1st edition, 1973). In the Dictionary of contemporary economics and the principal political and social facts, Lakehal (2002) puts this: "a resource is a means of subsistence for a person, a family or a group of people". The concept of resource is related to a utilitarian approach of the institutions. Thus, institutions can make it possible to improve the production process, consumption, interactions, exchanges, etc. Consequently, we can consider its accumulation process (already presented by North (2005, p. 20). The institutional dis-accumulation carried out within the framework of the institutional change can also considered. This conception of institutions enables us to consider the economic utility of the resource.
In our case, we define a resource as a factor allowing an economic agent to satisfy a need or to achieve an objective. It is for this reason an institution can be regarded as a resource. And when this need or this objective is of economic order (like consumption, production, investment, exchange or trade…), the institution in question can be considered as an economic resource. It is in this order of idea that we will take institutions as economic resources,

with characteristics of capital. In an economic sense, this statement seems to be relevant. Because, institutions that are productive are being considered.

It stays to demonstrate and illustrate this statement. Indeed, as announced by Loury (1977, 1987) and quoted by James Coleman (1990, p. 300), the factors making it possible for the actors obtain their objectives are a resource for them. They are for example the institutions making it possible to reduce the costs of transaction within the context of the economic exchanges. Indeed, by shaping the institutions structuring their interactions, the actors - under the assumption of their rationality - seek the order, unit, simplify their relations. The demonstration of Michael Lounsbury and Mary Ann Glynn (2001) for the contractors also fits in this line. On a broader level, North (1990) showed that the institutions have a particular importance in the economic development of the nations. It is for this reason that the institutions were arranged among the assets that are required for a nation's economic development. What justifies the name of "institutional capital", this concept deserves to be defined and demonstrated.

THE SCIENTIFIC BASIS OF INSTITUTIONAL CAPITAL

In *Cent and sociability: Household income and social capital in rural Tanzania,* Narayan and Pritchett (1999) underline clearly several six types of capital which are to be taken in account by actors and analysts of economic development strategies. They state: "Beyond apparently now old fashioned "physical" capital, human capital, natural capital, institutional capital and social capital all clamor for attention" (Narayan and Prichett, p. 1999). If the literature is largely abundant for the other forms, it is quite different for the institutional capital.

Defining institutional capital

One of the first efforts to connect this notion to the NEI was recently initiated by Rudi K.F. Bresser and Klemens Millonig (2003). They propose a very general definition of the institutional capital. For the two theorists of management, the institutional capital is defined as "the specific conditions in an organization's internal and external institutional context that allow the formation of competitive advantage" (ibid., p. 229). For these authors, the institution can be defined as "behavioral expectations that can be sanctioned if violated" (ibid., p. 221). Knowing that, for them, the institution has three components in interaction: cognitive, normative and regulative (ibid., p. 226). They govern economic agents' interactions. This point of view is acceptable, but we consider that it is too restricted (to competitive advantage) and it is only functional. We will show that institutional capital allows status (thus specific or competitive advantage) to its holder. But it is more than this.

Michel Garrabé (2007) proposed a more descriptive definition of the concept, in a contribution to MED-TEMPUS training program implemented by the International Centre of the High Mediterranean Agronomic Studies. In this contribution, the term institutional capital is understood as "the whole of the formal and abstract institutions which constitute the inciting structure organizing the relations between individuals or organizations, within the process of economic and social production" (Garrabé, p. 127, 2007). This definition is closer to the term of our apprehension because it seems to be useful within a framework of an empirical study. Despite of that, Garrabé's definition is larger than the precedent, even if he presented the institutional capital as a kind of equipment the production of which would be largely generated by the organizations of the social economy.

More recently, Joost Platje (2008) defined institutional capital as "institutions, institutional governance and governance structures that reduce uncertainty, stimulate adaptive efficiency (i.e. the ability of a system to adapt to changing conditions) and stimulates the functioning of the allocation system and sustainable production and consumption patterns" (Platje, p 145, 2008). But we can denote confusion in this definition. Because Platje's conception of "institutional governance" concerns the judge of the game. He states that "institutional governance" concerns "organizations that interpret and enforce the rules of the game such as the judiciary, police, government and government agencies" (ibid.). This conception of institutional capital is in opposition to our statement. It is outside the *Northian* perspective of institutions. For institutional and organizational structure (Ahrens and Jünemann, 2009) are obviously different.

The institutional capital, as we conceive it, is in the prolongation of the neo-institutionalism. We define institutional capital as the asset composed by the written and unwritten institutions that affect economic activities. It concerns the institutions that are directly or indirectly productive. Ahrens and Jünemann (2009) talk about these productive institutions in their work on "adaptive efficiency" of institutions. It can usefully provide economic agents (individuals or organizations) with economic advantages. Generally, its role is to structure economic relations between individuals or organizations through its inciting or constraining influences. Functionally, it is a potential for economic development. It is considered as a resource whose detention provides economic advantages. Those are called "competitive advantages" (Bresser and Millonig, 2003), "position barriers" (Wernerfelt, 1984). This gives it an important implication in economics and organizational theory. We are agreeing with Garrabé (opus cit.) when he says "the institutional capital represents the essence of the inciting equipment making possible the accumulation of other forms of capital". We illustrate in Table 1 the main partition of the institutional environment highlighting the components of the institutional capital.

The restrictions expressed in Table 1 will allow us to better determine the properties of the institutional capital. For example, the rules or social norms defining the hierarchical system compared to the age within the families in certain societies are thus excluded to our definition of institutional capital. Of course, social institutions have indirect relation to economic interactions. For example, social rules between families influence economic repartition between the families' members. Even though, this is not what we are calling institutional capital in a strict economic view. These restrictions permit us to go beyond the formal/informal duality usually taken as basic in the institutional analysis while remaining within framework of the economic assets. Moreover, frequently formal/informal duality is used to refer to official/unofficial duality, which is very close to our written/unwritten distinction. This distinction better reflect the progressive institutions codification between economic agents. According to the table 1, we consider that the institutional capital is an element (stock and flows) of the environment or institutional framework. But overall, this new concept must be analysed in the light of the properties of any types of capital.

Theoretical Justification of the Scientific Validity of Institutional Capital

What characteristics do confer to a resource the properties of a capital? This is to such basic but fundamental question we intend to carry an answer for the institutional capital. To answer this question, we adopt the approach used by James Coleman (1988), to show that the social capital was a particular form of capital. In Coleman's approach, a resource that presents the properties of any stock of capital is capital. These properties are mainly: properties of profitability, accumulation, fungibility and depreciation. We will analyze these properties for the case of institutional capital, since they had never been refuted.

Methodologically, to be capital, only the properties of profitability, accumulation and durability could be regarded as necessary and sufficient conditions. With these last, we can add the fact of being a factor of production. The properties like obsolescence, fungibility, productivity, the capacity to confer a social status to the holder, are necessary only for the economic analysis carried out under a very specific view. As for properties like the transferability, tangibility or intangibility, they could only be additional. The whole of the current properties of the capital could be summarized in the Table 2.

We will analyze here only the most important properties for the demonstration. These are the necessary and sufficient properties quoted in Table 2.

The first property we analyze is « factor of production ». The conception of the capital as factor of production is in conformity with the neo-classic view of capital. Economic institutions can be considered as factors of production by integrating the Labour factor or by assimilation in production process.

As we explained, Labour is now established as factor of production. But everyone knows that Labour is education, skills and health. Then Labour is human capital. But part of the human capital is constituted by institutions that have been integrated in habit. When we accept Labour as a factor of production, we are implicitly accepting some specific institutions that allow workers achieve production process.

Let's take by example the case for the institutions that concern the production of exchangeable goods. We position in a context where the demand determines the supply and not the reverse, and where consumers benefit perfect information and have the capacity to check the authenticity of the good put on the market. In other words, the production will be regarded as such and will have a commercial value if and only if it is carried out according to rules/institutions defined and known in advance. Ceteris paribus, if the producer of the goods in question (a very good example is the case of the organic products) does not take account of the whole of the institutions that concern his production process, the output of its activity could not be regarded as an exchangeable production.

Then institutions form part of the production process. Their absence or the fact that they are not taken into account cancels all the production's value. The production while being material arises then as being an incorporation of specific institutions. These last can then be assimilated as factors of production, and consequently as capital. Moreover, they are not substitutable by any other factor, which authorizes to regard them as a form of differentiated capital. Their taking in account implies some costs and justifies a higher price for de products.

Second property to be analyzed here is the profitability. It is the first one in James Colman adopted properties. Profitability is the relationship between a result obtained and the means in capital implemented to obtain it. We are using this term here to signify the possibility for a factor to generate a surplus or an advantage. We take the case of two organizations, located in a fluid context of circulation of information at low costs, maintaining between them important economic exchanges. They have the choice to define in advance the rules of the exchange or on the contrary to engage there without preliminary negotiation fixing the rights and the duties of each one. In the last case, the possible costs being able to be caused by litigations can be very high. However a few hours of negotiation would be enough to establish and be appropriate of the institutions governing the exchanges. If one considers the opportunity cost of the development of the institutional framework of exchange, the option consisting in negotiating beforehand is more profitable. It is it more than one possible recourse to progressive negotiations or a third in case with litigation. The difference in costs with the first case is due to the institutions.

Even when its production is regarded as intentional and is justified by a certain interest (that related to the application of the norms/sanctions), the comparison between the investment costs and the advantages provided make it possible to consider a profit. The existence of the institutional capital in the interaction context justifies the superiority of the economic advantages provided by this one over the implementation costs (Kaji, 1998). The advantages provided by the institutional capital accumulated in the preceding framework will largely exceed the effort agreed [cost in time and the value of this one] to constitute it and put it in action. It is this hopeful profitability which justifies the creation of institutions within a framework of interactions in a democratic atmosphere.

The institutional capital thus makes it possible to reduce the costs of information and uncertainty. Thus, it brings profit to the economic agents in interaction. It also allows more effective economic exchanges (except possibly from the point of view of the opportunist actor). With this property, the institutional capital is presented in the form of an input reducing the production costs. In this case, the profitability of capital institutional seems to be the least refutable condition. For example, like in the case of the legislative rules analyzed by Michel Garrabé (2007), one can show that the installation costs of certain rules are quite lower than the costs associated with the risks of errors or litigations which can involve of the obsolete rules.

When we return to the economic activity leading to the biological production, the incorporation of specific institutions defined in advance allows and justifies a higher selling price for the products put on the market. This profitability seems to be one of the elements (being added to the awakening of the climatic risks) which justify the expansion of the current organic production sector.

Fourth is the durability. The concept of durability, in the case of an economic asset, can be understood as its aptitude to persist in time. It is used here to mean the capacity of a factor of production to survive the production process. It doesn't disappear or consumed during the production process. This is the nature of institutions. They are created to be durable while ensuring a time-saver and procedures. Of course, as we will see it thereafter, they are called to evolve/move. From here comes the idea of North's "path-dependency", identifying institutional permanence inside the change, consequently institutional capital accumulation is possible because this accumulation will continue as long as a social crisis did not come to oblige to change actual institutions.

If we restrain our context at the dimension of the production process or exchanges, the institutional capital preserves its durability. Indeed, all things being equal, the institutions defined in advance to govern the process are not modified at the exit of this. In the case of the biological production, it is the stability of the preliminary institutions which ensure the authenticity and consequently the quality of the products to be exchanged.

Third is the accumulation of the capital. As stated by Marx in 1867, accumulation of capital is the permanent reintroduction of the added-value in the circuit of production in order to form new capital. But the reproduction of the system requires its widening, and the accumulative tendency makes possible the overproduction crises. It is not different for the production process of the institutional capital, which involves an accumulation in time. In their interactions, the economic actors devise new institutions. If the new institutions do not enter in contradiction with the old ones, there is accumulation. Garrabé (2007) analyzed the accumulation of the legislative rules and arrived at the census of four forms of accumulation: institutional imitation, convergence or institutional harmonization, institutional innovation, and transformation of informal into formal. This last form, usually progressive, is what we describe as "progressive institutions codification". It represents a very important form of accumulation of institutional capital. In much the same way, a good institutional reform participates in institutional accumulation.

The institutionalization process can sometimes contain the institutionalization-destruction side whose most radical forms, according to Hodgson (2006), can be observed during invasions and occupations of a society. Accumulation or the destruction can come from an individual as well as an institutional convergence. It can be voluntary or negotiated (for example within the space of interactions) or imposed (it is the case in a dictatorship). Even in period of stability, accelerate institutional capital accumulation can turn into institutional inflation. In such case, too many institutions without operational link between them can become contradictory.

Institutionalization as process which can be heard as the accumulation of the institutional capital is discussed by several sociologists. Their contributions make it possible to distinguish some in several phases. Rene Loureau, in a publication in 1970 on the Institutional Analysis, distinguished three moments or three phases which we can use to study the institutional capital. Initially, it distinguishes the "instituted" who is pre-established institution integrated by the people finally seem normal to them. The "instituted" becomes "unconscious" and model what Pierre Bourdieu (1972) will call the "habitus" or "habit" for Geoffrey Hodgson (2006). With the appearance of social strains, or crisis in other words, a social change is announced and with time, the individuals can manage to create new institutions, then comes the moment for "instituting". Therefore during this challenge, if the instituting movement manages to win the bet, it will have there a certain stabilization of new norms, rules, in manner of acting and of thinking which, while crystallizing, makes it possible to reach a new stage of stability. This last moment is "institutionalization" process itself.

Institutionalization in general is thus a periodic process with more or less long run. For this reason the speed of accumulation can appear stronger in short-term. The process contains change and continuity; one does not set out again to zero. The present system is the result of a past. The institutional capital accumulates slowly in time, except in institutional crisis situation. The evolution of institutional stock is done by successive contributions (incrementally) North (1991). Whereas, the evolution even of the institutions supposes a mobilization of a surplus generated by their mobilization.

One could also approach accumulation under stock point of view (Garrabé, 2008). This means an increase in the number of the institutions that would correspond to an accumulation of institutional capital. This moment, through a process of organisational training, the actors work out more and more institutions to govern their interactions without necessarily giving up the former institutions.

Lastly, if we conceive the accumulation of institutional capital in terms of effectiveness, a useful criterion would be the value of stock. Consequently, an accumulation would not correspond inevitably to a modification constitutive of the stock of the institutions. The adaptation and the improvement of the institutions with the needs for the exchange contribute also to institutional capital accumulation. If we refer to the biological production in a general way, since the appearance of this sector, the institutional elements regularly accumulated, without notable contradiction.

These four conditions or properties are satisfied and are enough to show that the institutions structuring economic relations between agents or providing advantages to them can be called capital institutional. The previous justification joined perfectly the definition of Lakehal (2006) in the *dictionary of contemporary economics* remembering that the capital is "an economic asset having at least three characteristics: it survives a cycle of production, it provides a regular flow of incomes to its holder, and enables him to sit a social status through the economic capacity which it represents" (ibid, p. 43).

Other properties could be discussed, like the obsolescence of the institutional capital caused by development of new more relevant institutions. We could consider its localization in the space and the time i.e. it is the product of the social innovation of the individuals actors of social space considered and is not irremovable from where limitations of the institutional imitation (Bajenaru, 2004). The institutions are worked out for the needs for the current economic processes and nothing guarantees their presence in the future, because certain new rules make disappear from others. Through their appropriation by individuals who integrate them in their habit of though and their habit of behaviour, institutions are more or less fungible in human capital. For more explanations on both types of habit, we refer to Hodgson's article *Reclaiming habit for institutional economics* (2004). Certain determining characteristics of the nature of the institutional capital are summarized in Table 3.

Relations between Institutional Capital and the others Forms of the Capital

We consider here six forms of the capital, as fundamental for economic development and economic theory. In his 1998 publication, Carney reported by Katherine Warner in a FAO's publication coined five forms of capital. When he was analyzing the forms of capital required for sustainable livelihoods, Carney retained theses forms of capital: natural, physical, financial, human and social. He didn't recognize institutional form. Although one year later, in his *Lessons from early experience*, a publication with Ashby we can read: "Sustainability of livelihoods rests on several dimensions - environmental, economic, social and institutional" (Ashby & Carney, 1999). We then are in agreement with the authors addressing capital in its six forms: physical capital, natural capital, financial capital (in a Keynesian meaning), human capital, social capital and institutional capital. Several links exist between them and require deep studies. This is not the purpose of this paper. But we underline rapidly some of them. In order to simplify our standings, we consider together physical capital and natural capital, for they are both the most tangible forms of the capital.

Institutional capital is a basis for social capital accumulation. It structures relations in which individuals work out their social capital. Institutional capital participates in limitations of what Portes and Landolt call « the downside of social capital » (Portes and Landolt, 1996). It provides conditions for repeatability in exchanges and social relations. Conversely, social capital makes possible institutional capital accumulation, by providing a social framework for this. Social capital is ingredient to create organizations. Thus, institutional and organizational structures are close concept.

There are strong links between human and institutional capital. Ahrens and Jünemann (2009) put it "For it the incentives resulting from the overall institutional structure that guide learning processes and the emergence of tacit knowledge". Institutions pass in the individual's habits and make part of human knowledge. That is why individuals are "instituted". "But, human capital does not stand alone either" declare Fedderke & Luiz (2008). Mutual relations exist between human and institutional capital. Ahrens and Jünemann (2009) argue "the underlying process of acquiring knowledge will direct individuals and organizations gradually to create new institutional arrangements". It involves institutional capital accumulation. It determines quality of institutions. In the other hand, institutional reform and institutional change are driven by people (Acemoglu and Robinson, 2008; Ahrens and Jünemann, 2009).

Institutional capital is important for financial capital stocks and flows. Globally, institutional capital is basic for economic capital (financial and physical or natural) transaction and creation. It is a key to access financial resources. Market institutions, like price, are determinant for transactions. Likewise, financial capital is needed for investment in institutional capital drawing. In this time of financial crisis, more strong links are called up between financial capital and institutional capital.

Either for Marx (1867) or Hilferding (1981), financial or not, capital comports an abstract dimension. For whatever other form of the capital, institutions are important because capital is relation. In Marx's view of the capital (1867), "instead of being a thing, the capital is a social relationship between the people" (the capital, op.cit, chapter XXXII, volume 3, p. 207). And relations imply rules. That is why institutional and organizational structures are so closed variable to understand economic growth and development (Ahrens and Jünemann, 2009).

Once the theoretical and scientific validity of the notion of institutional capital is demonstrated, it is important to analyze what is its theoretical and empirical fruitfulness. The next part is dedicated to some core implications of this notion and asset. Then, institutional capital is presented as a heuristic concept for future research in several domains of economic theories.

CONCLUSION

In this article, we intended to demonstrate the scientific validity of the "institutional capital" concept which appears more and more frequently in the economic literature. We define the concept through a restricted view of institutions, using the Resource-Based View findings. Thus, only the institutions providing economic advantages to economic agents (individuals or organizations) are considered as part of the institutional capital. This restriction allows new option in the definitions of institutional capital. We describe institutional capital that the asset composed by the written and unwritten institutions that provides economic advantages to the agents (individuals or organizations, in interactions). This definition as shown brings interesting perspectives on future researches in economic theory.

After a theoretical justification that the institutions are a resource for the economic agents, we answered the question that is: as of when one can say that institutions are forms of capital. The known properties of the capital (accumulation, durability, profitability, factor of production) being checked for the categories of institutions retained in the justification, we arrived at the statement that some set of institutions that structure economic interactions constitutes a form of the capital (as Frankel's view) with whole share, name institutional capital. This study does not answer all the questions about the subject, but it poses strong foundations for research even more fertile and of greater range in the field of the economic theories. This paper comes to fill a methodological vacuum insofar as it is important to define and show the validity of a concept before its empirical mobilization. From a theoretical point of view, it is however necessary that other studies come to consolidate the foundations of the debate on this new concept.

Research on institutional capital would not be interesting if this concept was not helpful in applied economics. But the utility of the mobilization of such a notion is to be sought in its capacity to give an account of another socio-economic reality. We could underline several core implications of the concept of institutional capital for future researches. First, it can help economists to deepen specification of growth models, especially in endogenous growth models. Considering institutional capital as namely an economic asset would conduct economists to include an I (for institutional capital) factor in the model Nicolas Sirven developed in 2004, following Frankel (1962). Then, the function $Y = \hat{A}.S^{\gamma}.H^{\beta}.K^{\alpha}.L^{1-\alpha}$ (Sirven, 2004) would be $Y = \hat{A}.I^{\iota}S^{\gamma}.H^{\beta}.K^{\alpha}.L^{1-\alpha}$, where I^{ι} represents the part of institutional capital affecting the growth process in which $\hat{A}$ is the residual, I the institutional capital, S the social capital, H the human capital, K the technical capital and L the Labour.

Second, theorists of economic development can find an analytical and explanatory framework in this concept. Early in the twentieth century, economists have recognized that development is more than growth. "A great deal of economic research in recent years suggest that institutions are vital for economic development and growth" (Rodrik and Subramanian, 2003; Edison, 2003; Acemoglu, 2003; Acemoglu and Robinson, 2008). The accumulation of physical assets is not enough to durably feed the growth, the socio-economic context matters. For us, we agree with Platje when he says: "institutional capital is a fundament of sustainable development, and the lack of such a capital is likely to cause of a unsustainable development" (Platje, 2008). Indeed, the institutional capital represents the essential component of the social and economic order necessary to sustainable development (ibid). And, high levels of institutional capacity are conditions to sustainable development policy achievements (Evans et al., 2006). According to the writings of Michael Trebilcock (1996), Kaji (1998) and Ahsan (2003), inter alia, Nations would benefit better understanding on institutional capital. The authors underline well the determining role of the institutional capital in the economic development and the reduction of poverty. For this reason, the politicians of the developing countries could draw advantage from more a great attention paid to this asset, particularly by its definition and its public management. Recent publications show institutions as determinants for Foreign Direct Investment attraction (Bénassy-Quéré, Coupet & Mayer, 2005). More especially, efforts are being done in order to establish "institutional country profile" (Berthelier, Desdoigts & Ould Aoudia, 2004). It may correspond to the quantity and the quality of institutional capital the stock and the flows.

Third, in the same way, organizations' theorists and practitioners could have great interest to deepen research in this concept of institutional capital because managing organization is managing institutions. It is besides of this reason that institutional capital is addressed as an element detention and management of which is strategic in the organization (Oliver, 1991; Bresser and Millonig, 2003). In fact, institutional capital, by structuring relations between economic agents, improving good economic relations and reducing transaction costs, represents a potential for economic development. As development is use of several assets, institutional capital is required for it.

Fourth, after several Nobel's Prize obtained by New Institutional Economists (like Coase, North), research on institutional capital would be a great step for New Institutional Economics. Comprehension on institutional capital can not only confirm but consolidate the NEI approach. It appears as a core object and the premise of a solid paradigm for NEI researches. Recently, in a collective publication, Robert Solow (2001) has associated institutions to a potential growth in Europe. Solow puts it: "I will define institutions as regular and codified modes of behaviour which, according to the cases, can appear in an endogenous way or come from social norms" (p. 405, 2001). Solow's definition of institutions is very near to our standing here.

In a prophetical statement, Solow explains that future of economic theory on institutions and growth […] must develop a quantitative part or it must be at least connected to the growth models worked out by the standard economic theory (ibid.). However, institutional capital is one more time a very good way to obtain such theoretical objectives. We can finally insist on these main implications to underline the importance of reclaiming institutions as form of capital and to continue research on institutional capital.

In practice, the institutional capital appears as being an analytical framework for analysts of actions and development strategies. More especially it is presented as one of the assets whose use is necessary for sustainable economic development (Platje, 2008). In organizations, it is a strategic resource that allows competitive advantages (Bresser and Millonig, 2008). Equally, at the level of a nation, institutional capital can strongly contribute to attract foreign direct investment. It appears to be crucial for specific sector expansion, like Microfinance (Paul, 2009). Then, institutional development can be analyzed as fundament for economic development. In addition, it maintains complex interrelations with the other forms of the capital (physical, financial, human and social). While waiting for an empirical evaluation of this concept, the theoretical debates on its scientific basis, as initiated in this paper, show interesting perspectives. Its heuristics is available either for economists or management theorists.

Table 1. Components and Delimitations of Institutional Capital

Institutional Environnement			
Other Institutional Resources		**Institutional Capital**	
Written Institutions	Unwritten Institutions	Written Institutions	Unwritten Institutions
Rules or institutions with any direct relation economic interactions		Rules or institutions with direct relation economic interactions (market exchanges, production relations)	

Source: the Author.

Table 2. The Properties of the Capital by Authors and by Degree of their Importance

Authors / Properties	Leon WALRAS	James COLEMAN	Adam SMITH	Other (Encyclopedia)
necessary and sufficient properties	Durability	Accumulation	Capital = what permits to gain profit.	Resource
	Profitability	Profitability		
	Factor of Production	—		Factor of Production
Sufficient properties	Social Richness	Depreciation		Productivity
		Fungibility		Confer Status
	Materiality	Intangibility		Social relation
Neither necessary nor sufficient properties				Transferability
				Divisibility

Source: the Author.

Table 3: The Properties of Institutional Capital

Properties typology	Institutional capital
Essential properties	Resource collective
	Confer a status to its holder
	Factor of Production/of Development
	Is productive and durable
	Space-time localization
Other properties	Limited but Crucial ability to be seized by Individuals
	Slow and long process of accumulation
	Negative effects if excessive accumulation: "too many rules kill the rule"
	It is linked with the other forms of the capital, and improves and facilitates their accumulation

Source: the Author.

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