



# Intellectual Capital, Economic Development and the Cultural Factor

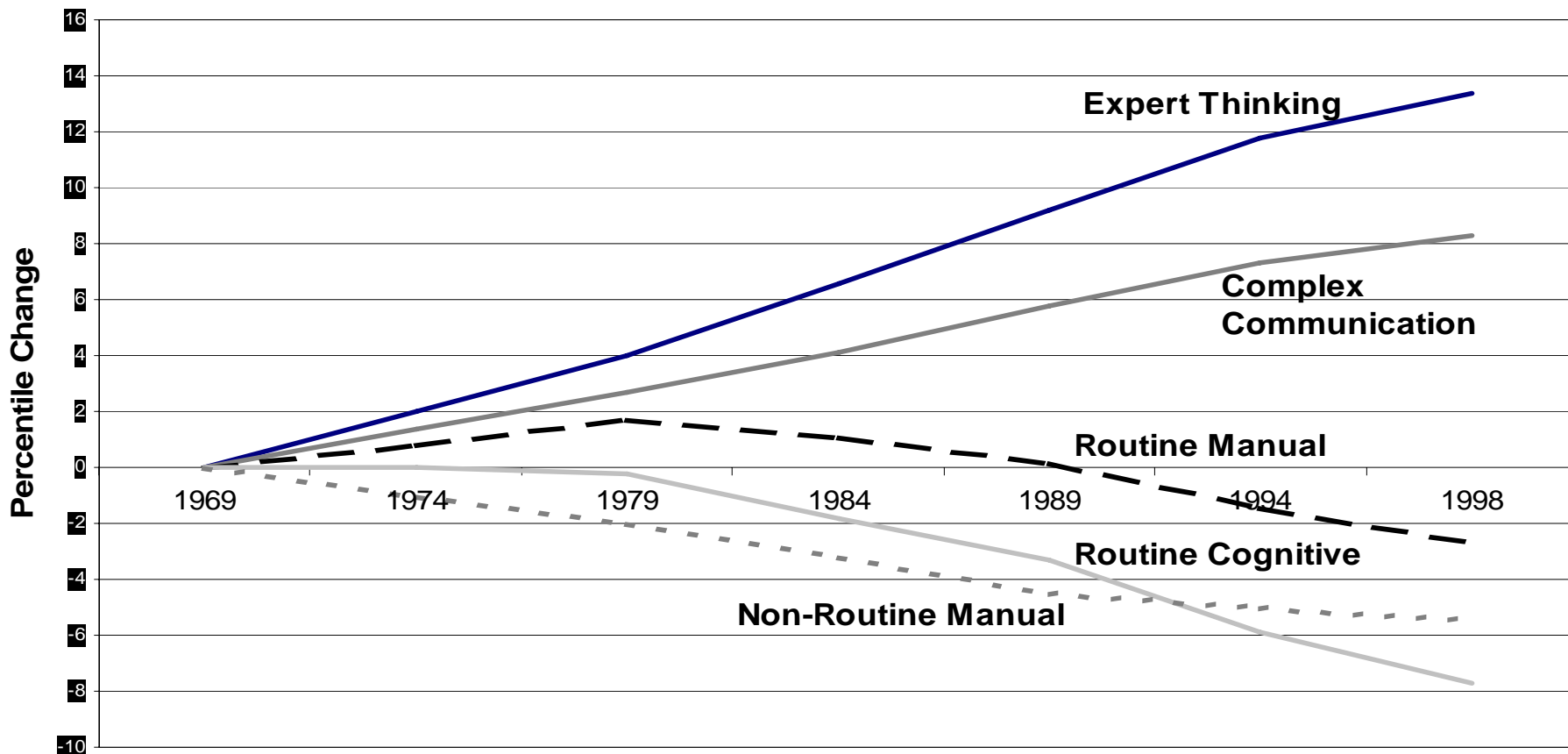
Jean-Eric Aubert, The World Bank



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# Changes in Job Task-Skill Demands, USA, 1960 – 1998



Source: Autor, Levy, and Murnane (2003) "The Skill Content of Recent Technological Change: An Empirical Exploration," *Quarterly Journal of Economics*.



# Importance of the “grey matter”

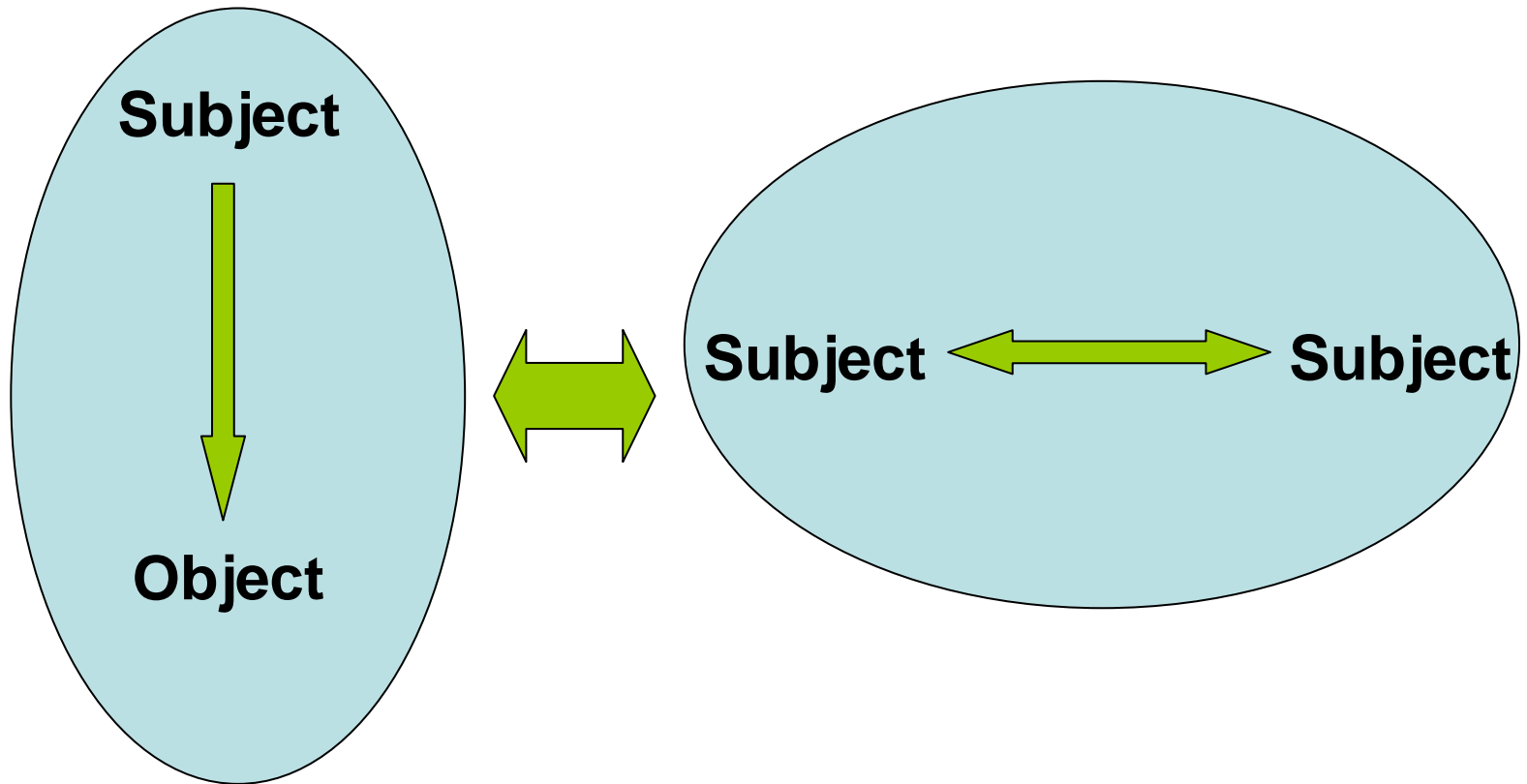
- **Technological revolution+ globalization >>> importance of “grey matter”.**
- **hence: new catch words**
  - **Information society,**
  - **post industrial era**
  - **Knowledge economy, knowledge workers**
  - **Intellectual capital**
  - **Etc**
- **Need to change mind sets (cultures) in nations, firms, banks...**



# Beyond Intellectual capital...Mental capital

- **Intellectual dimension + Affective dimension: the two brains (left and right)**
- **Mobilization of intellectual capabilities depends on affective dimension and they are inter-linked**
- **Foundation of innovation process (importance of inter-individual/organizational cooperation, beyond scientific advance)**

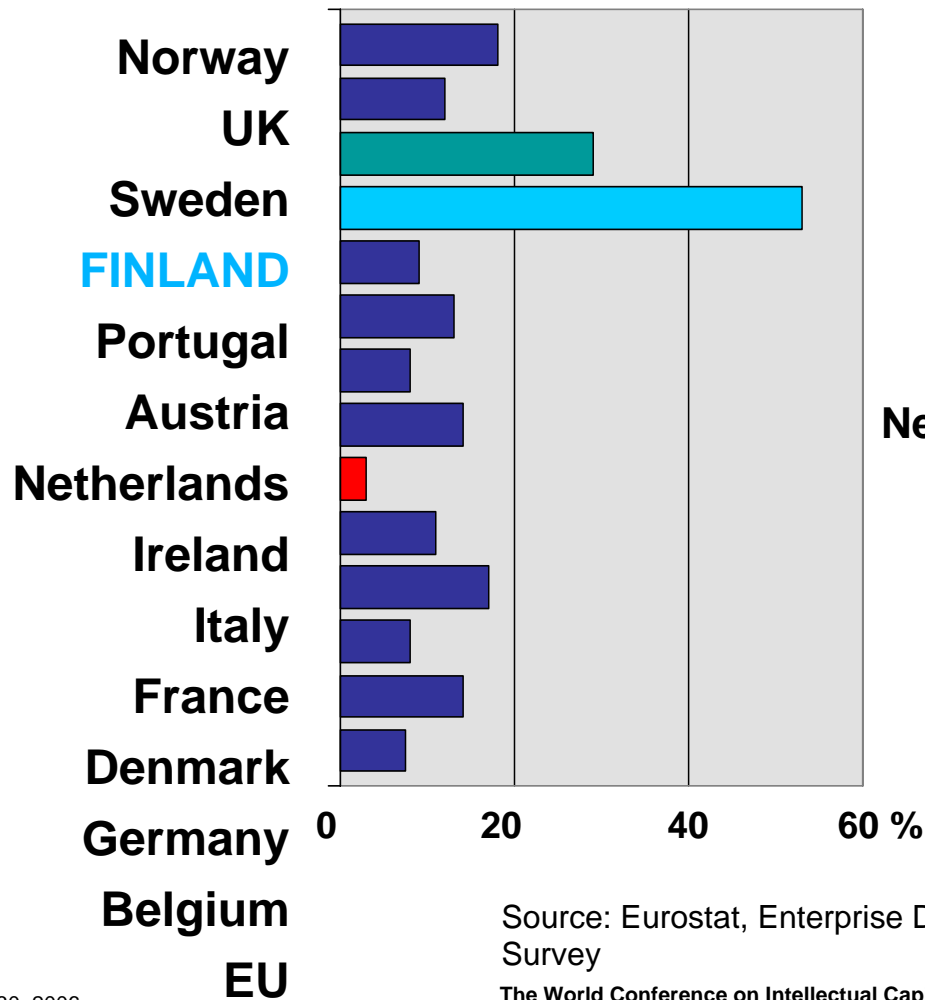
## Cognitions and Recognitions



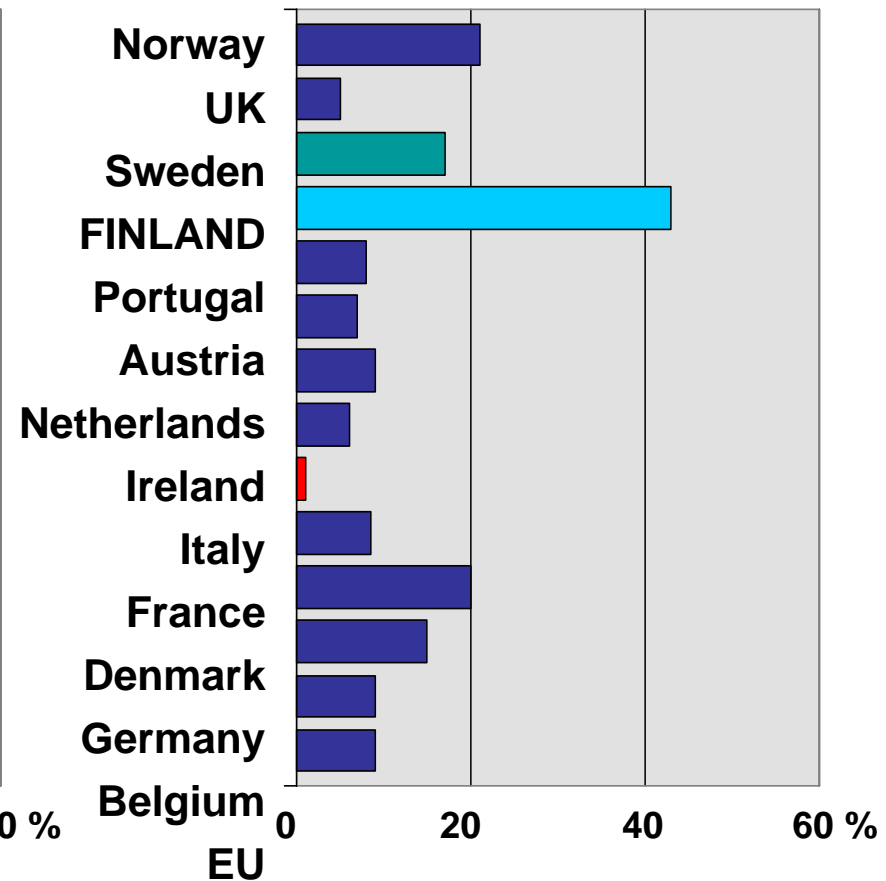


# Co-operation between companies and universities and research institutes

Share of innovative companies having co-operation agreements with universities (1994-1996)



Share of innovative companies having co-operation agreements with public research institutes (1994-1996)



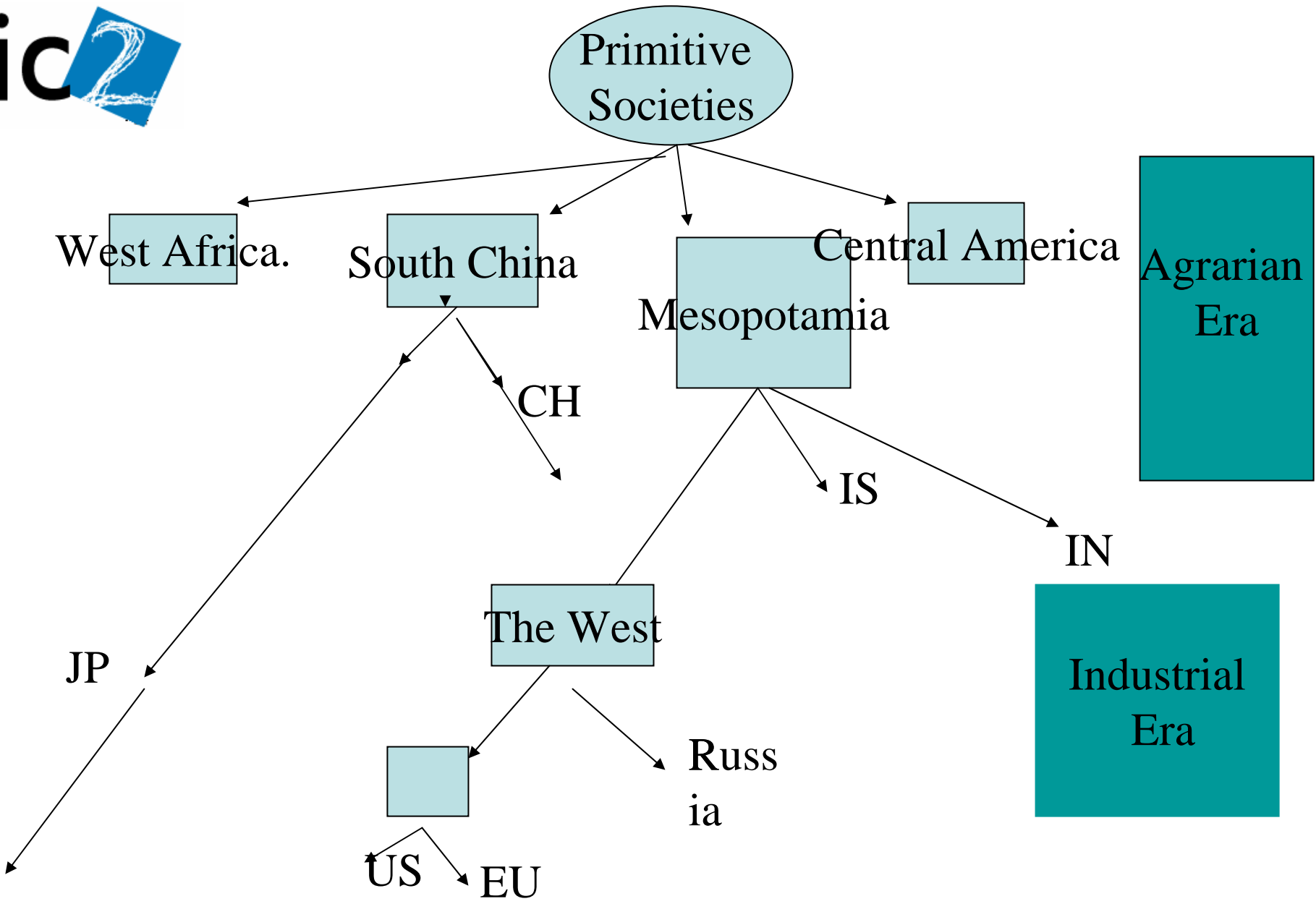
Source: Eurostat, Enterprise DG, 2nd Community Innovation Survey

The World Conference on Intellectual Capital for Communities - Second Edition -



# Why divergences in development processes?

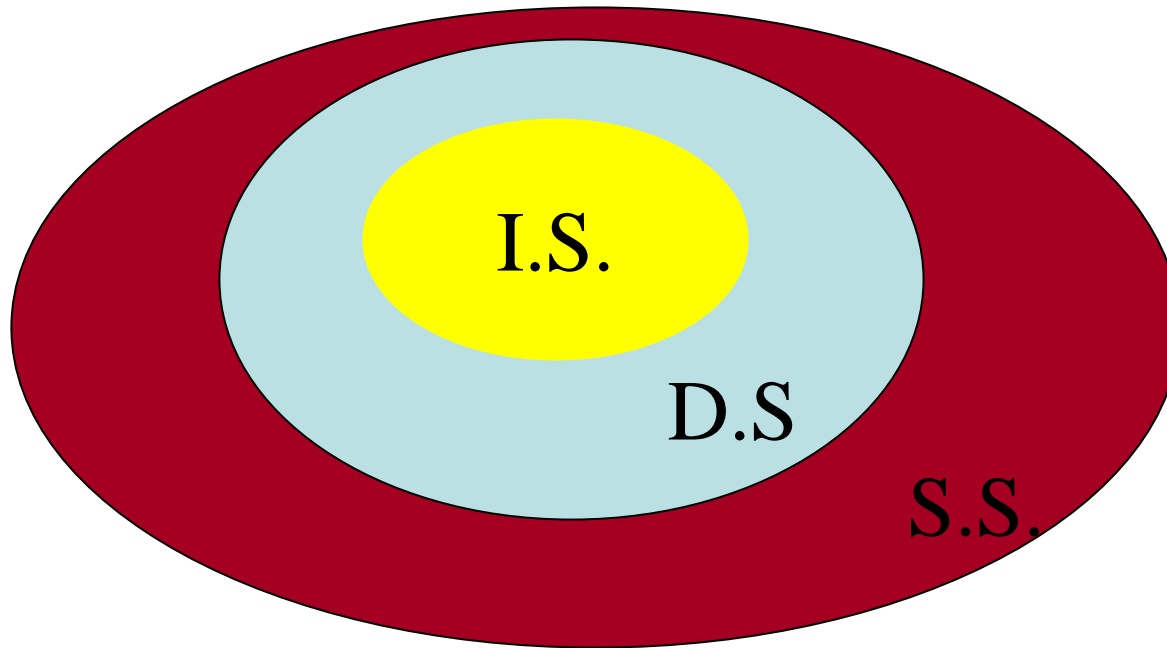
- **Why three worlds (West, East, South) from an economic development perspective?**
- **Why differences among cultures within each world?**
- **Why nations' performances differ?**
- **Why regional/local dynamics differ?**







# INNOVATION, DEVELOPMENT, SOCIETAL SYSTEMS



JEA World Bank Institute/OECD



# East-West Mental/Behavioral Contrasts

<b>Western distancing</b> Focus on objects as such (Nisbett, geography of thought)	<b>Eastern immersion</b> See objects in contexts (Nisbett geography of thought)
<b>Science separate from technology</b>	<b>Science and technology as a single notion</b>
<b>State separate from society</b>	<b>State as part of society</b>
<b>Individualistic exploration of the unknown</b>	<b>Collective adoption of the known</b>



# West – East Asia Innovation climates – Key contrasts

- **Importance of science-based innovations**
- **Technology leaders (radical innovations...)**
- **Public/private system with “rule of law”**
- **Stock exchange bubble-induced recession, durable slowdown**
- **Technology/production-driven innovations**
- **Technology followers (FDI, licenses)**
- **Connection-based system (Guangxi)**
- **Financial crisis (induced by connection-based economy)**



# Western profiles and development systems

	<b>Anglo-Saxon</b>	<b>Latin-Mediterranean</b>	<b>Rhine-German</b>
<b>Ethos</b>	<b>Exposed individualism.</b>	<b>Protected individualism.</b>	<b>Co-operative individualism.</b>
<b>Industry</b>	<b>High tech/ res. nat</b>	<b>State based high tech</b>	<b>Medium size industry</b>
<b>Education</b>	<b>Elitist, in-equalitarian. Concrete</b>	<b>Democratic, but in-equalitarian. Abstract</b>	<b>Dual (school-enterprise)</b>
<b>Research</b>	<b>Broad</b>	<b>Math/phys specialization</b>	<b>Eng. Specialization.</b>
<b>Finance</b>	<b>Stock exchange/ venture cap</b>	<b>Bank</b>	<b>Bank/industry</b>



# Trust-based societies

- **Work by Peyrefitte, Fukuyama, etc**
- **Importance of history (impact of colonization)**
- **Reform processes: strongly influenced by cultural patterns which determine trust and risk taking**
- **How to (re) build (self) confidence?**
  - **Local success stories**
  - **Consensus building by sharing mutual understanding**



# The “Island factor”

- **Finland, Taiwan, Ireland, Israel, Korea, and...other success stories: what do they have in common?**
- **They are islands, either geographically or culturally speaking, and they have gone under serious pressures (crisis, threats, etc).**
- **This situation has given them a unique sense of identity with a feeling of urgency**
- **Hence a genuine capability to mobilize their inner resources (both human and financial) and to take advantage of external inputs (knowledge inputs in particular).**



## The Island factor (II)

- **Econometric estimations confirm that an island situation (particularly cultural) is a growth booster – and notably in the recent globalization era**
- **So creating a sense of island under pressure is key as a successful policy drive for development and growth**
- **This could apply not only at the national level, but also at the infra national level – regions, cities, as well as the supra national level.**
- **But danger of negative sense of identity (isolation)**



# Methodological perspectives/issues

- **Quantifying the qualitative: metrics issues**
- **Relating IC, culture and economic performances: e.g. employment questions**
- **Tracking key trends: critical mass effects leading to culture change (e.g. diaspora)**
- **Representing phenomena: opportunities offered by new visual technologies (GIS)**
- **The real challenge: overcoming ideological resistances against cultural approaches**