



Why is coffee a dangerous drink?

HAL.KAJO.312 Institutions and Innovation
in Urban and Regional Development

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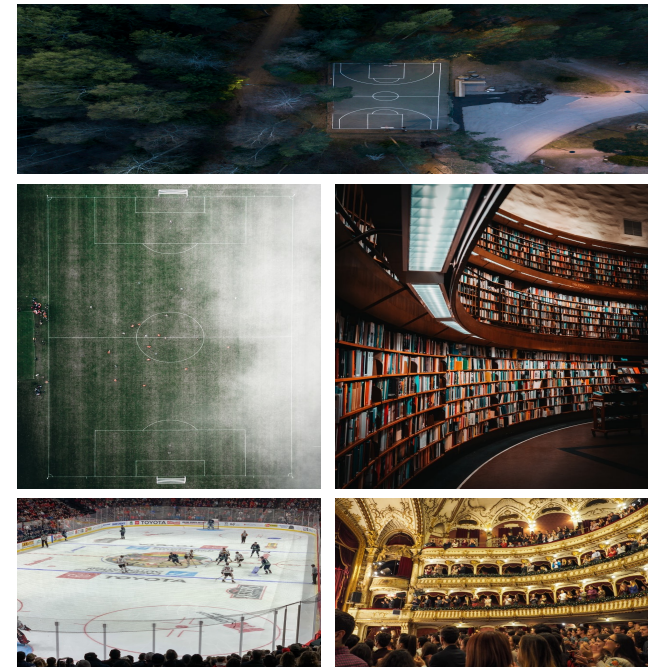
Markku Sotarauta



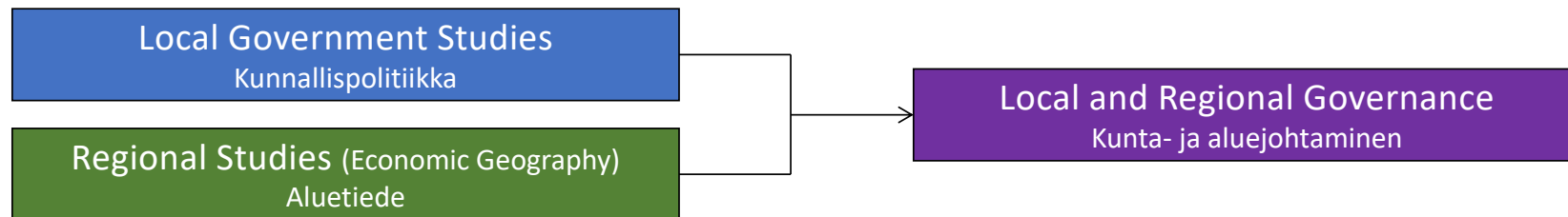
MDP in Administrative Studies
Local and Regional Governance
MDP in Leadership for Change (LFC)

The Logic

- City and regional development is about institutional change
- To develop cities and regions:
 - we need to know what are the most important mechanisms boosting innovation
 - we need to identify the main frames of action and thinking to understand economic development in cities and regions
 - we need to understand local preconditions supporting innovation

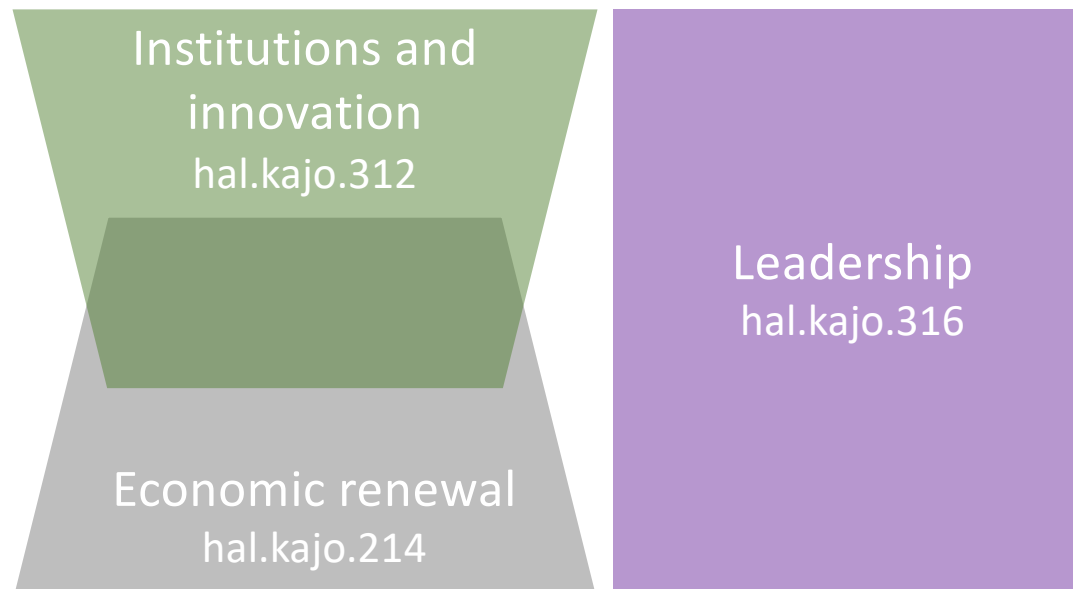


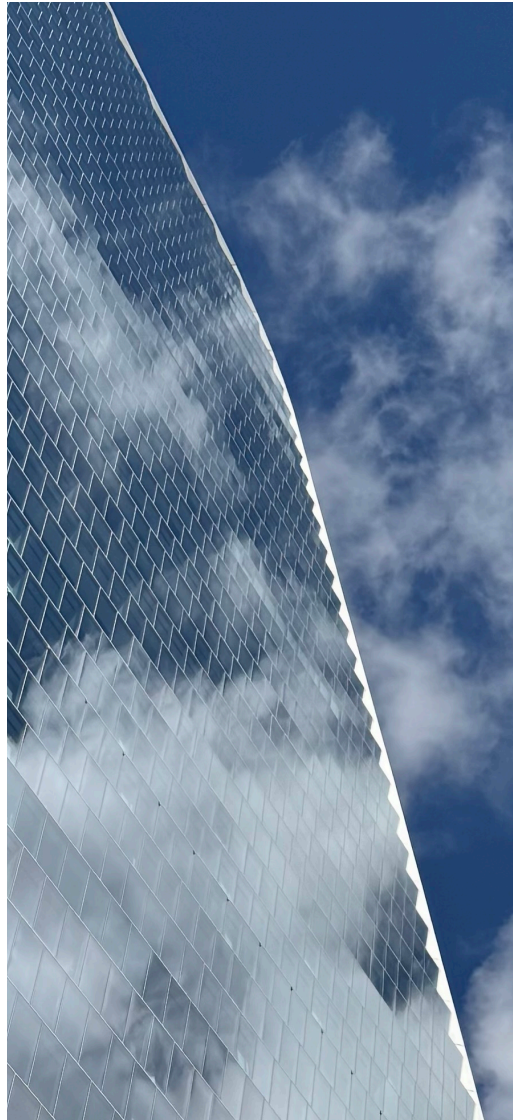
Local and Regional Governance



The three course package

Each can be done independently





The themes

- The concept of institution
- Innovation and innovation policy
 - Technology push, innovation system, mission-oriented
 - Finnish innovation policy path
- Geography of innovation
- Path development
- Geopolitics and regional development
- Resilience



The material is here:

- www.sotarauta.info -> teaching -> HAL.KAJO.312
- Please note! Moodle is NOT used

Tuni-Exam

- The Tuni-Exam will be open from Feb. 17 to Feb. 28.
 - Remember to book yourself a slot during the above opening period
 - <https://sites.tuni.fi/exam/>
- In the system, there will be three broad thematic questions for contemplation.
 - When answering to the questions, introduce the main arguments and other important points of a course through your observations and interpretations.



Consider the following when answering the questions

- What was argued for?
- Why is it important?
- Are there any counter arguments?

It is important to use also the online stuff, presentations and articles

Any time - online presentations

James Robinson (2014) Why nations fail (18:33)

How Singapore got so crazy rich (2024) Bloomberg Originals (7:99)

Bill Aulet (2014) What is innovation (4:17)

Bill Aulet (2014) Varieties of innovation (4:29)

Debate on mission-oriented innovation policy (2021) Druid Debate (82:07)

Michael Porter (2014) Reshaping Regional Economic Development: Clusters and Regional Strategy (69:18)

MIT Sloan Executive Education (2018) Innovation Ecosystems - Leveraging their Power for Organizational Success and Strategic Change (58:17)

Reading

Schot, J. & Steinmueller, W.E. (2018) Three frames for innovation policy: R&D, systems of innovation and transformative change.

Morgan, K. (2017) Nurturing novelty: Regional innovation policy in the age of smart specialisation.

Laasonen, V., Kolehmainen, J. & Sotarauta, M. (2020) The complexity of contemporary innovation policy and its governance in Finland. *Innovation: The European Journal of Social Science Research*, 35(4) 547-568

Baumgartinger-Seiringer, S. et al. (2021) Towards a stage model of regional industrial path transformation.

Coffee Break With Researchers

In the lectures you will also meet some colleagues, the aim being to open the door to the academic discussion.



Why is coffee a dangerous drink?



COFFEE HOUSE AT JERUSALEM.

Hospital of St. John

Case Coffee

(Juma 2016)

Why

- The story of coffee shows how new innovations coevolve with institutions, disrupting and recreating them
- Wherever the drink was introduced, upheavals followed

Innovations

- Roasting, grinding, brewing, filtering and serving the beverage
- New manners and customs

From where to where? From Ethiopia to the Middle East

Ethiopia

- Berries or leaves consumed, addictive but refreshing

Yemen qahva (early 15th century)

- One of the earliest known instances of coffee cultivation
- From Yemeni monasteries to Islamic capitals

From Yemen to Mecca

- Fears that coffee houses might become platforms of fomentation against the authorities

- All the coffee houses closed 1511
- Universal ban against coffee
- Beans were legal, the drink not
- To Cairo early 16th century
- Constantinople in 1555, by 1570, 600 coffee shops



Image credit: BBC

“...the coffeehouse served as a secular forum for conversation that drew people from all social strata, and in this capacity it was a true cultural innovation...

None of the existing social venues at the time allowed for the breadth of social discourse that occurred in the coffeehouses”

(Juma 2016)

From where to where? From Ethiopia to the Middle East to India to Europe

To **Europe** via India and Indonesia

- Dutch East India Company
- Greeted with negative social responses, mostly inspired by local interests to protect wine, beer, ales, and other beverages
- Traders and consumers ignored bishops and priests arguing against coffee
- In Marseilles (1671) winemakers and doctors' alliance to weaken the consumption of coffee

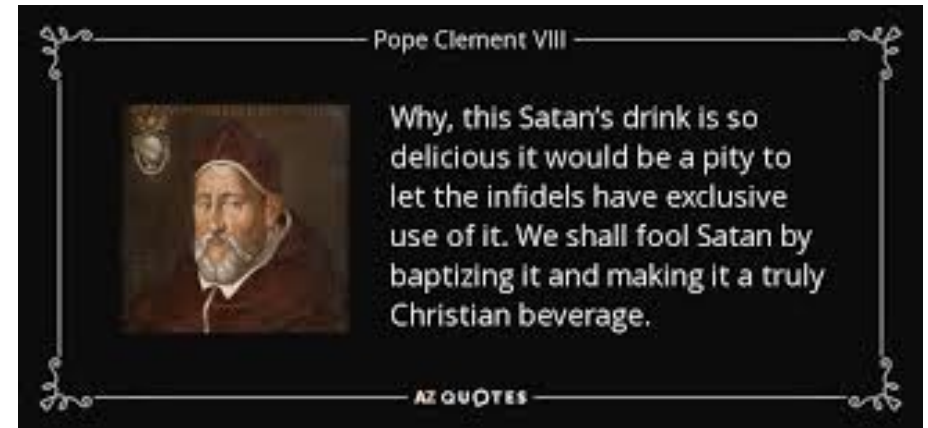


Image credit: AzQuotes

- Pope eased the process
- Coffee subject to taxes, efforts to monopolize it, black markets

Trivia with a message

(Juma 2016)

Café au lait was invented in France in the 1700s, representing a compromise between milk producers and coffee importers.

Dialogue and compromise within a society with respect to technological innovations remains crucial.

England

First at Oxford University (17th century)
Critics: coffee degraded academic discourse

The introduction of tea at home for the creation of new social institutions aimed at strengthening family ties.

- a response to the culture of taverns that kept drinking men from home

“the decay of study, and consequently of learning due to coffeehouses ... to which most scholars retire and spend much of the day in hearing and speaking of news, [and] in speaking vily of their superiors.”

(Anthony Wood)

Women’s petition against coffee:
“men spend their money, all for a little base, black, thick, nasty, bitter, stinking, nauseous puddle-water.”

Coffee consumption should be prohibited for people under the age of 60 - beer and other spirits be consumed instead.

“It [coffee] has been the world’s most radical drink in that its function has been to make people think.

And when the people began to think, they became dangerous to tyrants and to foes of liberty of thought and action.”

(William H. Ukers 2015)

Lessons according to Juma

- 1) Only after inventions have impacts on the economy and/or social life their implication becomes visible ([time](#))
- 2) Opponents and supporters of new products tend not to reveal the true socioeconomic roots of their position ([self-interests](#))
- 3) The balance between benefits and risks ([for whom and how](#))
- 4) The use of demonization and false analogies to amplify the perception of risks ([truth?](#))
- 5) Noneconomic factors play a key role in triggering tensions over new products ([social learning](#))

“Time and time again policymakers are taken by
surprise when technological (or systemic)
controversies emerge.

Yet they are horribly predictable”

(Calesteous Juma)

Controversies often arise from tensions between
the need to innovate and the pressure to
maintain continuity, social order, and stability
(Juma 2016)

The quickest way to find out who
your enemies are is to try doing something new
(Calsteous Juma)

Try to change the playground or rules of the game

On institutions





City and regional development is about releasing
the future potential beneath existing institutions and
institutionalising the released potential.

(Sotarauta & Suvinen, 2018)

Institutions exert an influence on the character
and evolutionary trajectory of regional
economies that is often subtle, sometimes
dominant, but undeniably pervasive

(Gertler 2010)

Meric Gertler: Rules of the Game, The Place of Institutions



<https://www.youtube.com/watch?v=e9u9LJxdPEQ>



Institutions are
carriers of history

(David 1994)

Institutions

- The underlying determinant of the long-run performance of economies (North 1990)
- Specific local institutional arrangements enable localities and regions to embark on a sustainable and high-end road to economic development (Streeck 1991)

Institutionalists believe that *the greater* the density of combinations of...

- **intellectual capital** (knowledge resources)
- **social capital** (trust, reciprocity, cooperative spirit and other social relations)
- **political capital** (capacity for collective action)

the greater the territorial capital within any given region, and thus *the greater* the potential for economic development

(Rodriguez-Pose 2013)

Institutions

- Recurrent patterns of behavior (habits, conventions, and routines) (Morgan 1997)
- Socially constructed rule systems or norms that produce routine-like behavior (Jepersson, 1991)
- Regulative, normative and cultural-cognitive institutional pillars (Scott 2001)
- Rules of the game (North 1990)

- In other words, institutionalized structures / operational environment / context
- All those things that influence **actors'** choices, actions and decisions



Formal institutions (hard)

- Universal and transferable rules, generally include constitutions
- Laws, charters, bylaws and regulations
- Elements such as the rule of law and property rights and contract and competition monitoring systems

(Rodriguez-Pose 2013)

Informal institutions (soft)

- A series of features of group life; norms, traditions and social conventions as well as interpersonal contacts, relationships, and informal networks
 - Essential for generating trust
 - Context and geography specific

(Rodriguez-Pose 2013)

Very different institutional contexts may yield similar economic results

Similar institutional contexts may yield different economic results

Agency needs to be considered

Institutions

- Laws
- Various standards
- Organization and industry specific rules
- Industry specialization and structure
- Governance structure
- Financial system
- The research and development structure
- R&D investment routines
- Training and competence building system



- Rigid institutions that are not adaptive to changes in the economy may be the cause of lock-in situations (Unruh, 2000)
- Actions deviating from what is framed as suitable by institutions are often sanctioned, one way or another (Battilana 2006; Battilana, Leca, and Boxenbaum 2009)
- Institutions shape actors' understandings of what is feasible and acceptable and what is not, and thus they reduce uncertainty by influencing expectations and providing incentives (Rafiqi 2009)

The institutional approach has been criticized for its inability to explain transformation and institutional change, and more generally for predicating compliance and conformity.



Three pillars of institutional theory

(Scott 2001; elaborated by Fünfschilling 2020)

	Regulative pillar	Normative pillar	Cultural-cognitive pillar
Basis of compliance	Expedience	Social obligation	Shared understanding
Indicators	Rules, laws, sanctions	Certification, accreditation	Common beliefs
Basis of legitimacy	Legally sanctioned, rule-based sanctions and rewards	Morally governed	Recognizable, culturally supported
Compliance	Avoid sanctions, obtain rewards	Meet societal and professional expectations	'Fish in water' – what else is there?
Sanctions	Jail, fines, etc.	Social exclusion	Social exclusion, being outsider
Institutional pressure	Coercive (we must comply)	Normative (we should comply)	Mimetic (we copy others)

Case Tampere University of Technology

One of the key ingredients of any knowledge city are high quality higher education institutions that provide education and carry out scientifically high quality but also economically and socially relevant research

The Government stressed the purity of science



TUT continued working with the firms

TUT established as 'a university for industry'
(1965 as a filial and 1972 as a university)

80's
Technology center and tech transfer

1990's and 00's
various development programmes both nationally and locally

Tampere University today

...
International science or collaboration with industries or both

Institutional influence in Tampere (from 60's to 70's)

	Top-down institutional influence	Bottom-up institutional agency
Normative pillars	<p>Higher education valued but Tampere not seen as a place to locate a new university</p> <p>University industry collaboration deemed harmful</p>	<p>City leaders having an explicit objective to have a university in the city</p> <p>University of Technology explicitly established as a university for industry</p>
Regulative pillars	<p>Centralised HEI policy, autonomy of universities low</p> <p>Strict rules against university industry collaboration</p>	<p>Two universities usurped by tapping into the resources of HMA but with a ploy to make both universities own</p> <p>A need to navigate the top-down regulations by challenging them and constructing local rules for interaction between firms and the university</p>

Institutional influence in Tampere (from 60's to 70's)

	Top-down institutional influence	Bottom-up institutional agency
Cognitive-cultural pillars	The purity of science emphasised	Local leaders believed a university is crucial for the city development in the long run. University industry collaboration defined as the core function of the university of technology
Agency	The government and related ministries	City government with selected stakeholders The leaders of the university in collaboration with leaders of local industries

Meta-strategies in Tampere (1960's to 2020's)

Not actual planned or deliberate strategies but long-term 'tidal' strategies that can be identified in retrospect

- Working against the institutional tide with an **opportunistic** institutional strategy (60s and 70s)
- Adapting to a turning institutional tide with an institutional **protection** strategy (80s)
- Going with the institutional tide and exploiting the innovation hype with an institutional **expansion** strategy and (90s and 00s)
- Launching an institutional **offensive** (2019->)



Today: institutional conflict

“Universities must interact with the surrounding society...”
(The university act)

BUT, the core funding system does not support these
ambitions

BUT, long tradition in engagement

-> tension between research excellence and
civic/industrial engagement

Institutional conflict between academic excellence and societal engagement

A quick institutional analysis

	Regulative pillar	Normative pillar	Cultural-cognitive pillar
Basis of compliance	Engagement is important for the country and its regions Academic excellence is an imperative	Some feel engagement is a social obligation Many focus on academic excellence Some do both	Shared understanding fragmented – a tension between academic excellence and engagement Some tensions between disciplines
Indicators	Law: engagement is compulsory University funding system	Many for academic excellence, contested ones for engagement	Common beliefs are many – both about means and ends
Basis of legitimacy	No sanctions, no real rewards for engagement – many rewards for academic excellence	Many are morally governed, the others are not – mission oriented policy changing the landscape	Continuous debate