

# OEET Seminar

*OEET Research area: Economic development, growth and inequality in emerging economies*



## Social Trust and Firms Innovation in Chinese Provinces

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Looking at China as context of analysis, we use social trust as collective asset to test whether in Chinese provinces with higher social trust, firms' innovation in terms of number of patents output is more pronounced. Chinese provinces represent an important and insightful context of analysis as "innovation" has been one of the main key words in the Chinese economic agenda of the last decade. Interestingly, even though China is very likely the most extraordinary emerging economy of the XXI century, it has a vast territory characterized by a remarkable socio-economic and institutional heterogeneity, particularly across its provinces. Hence, exploring what contextual factors can facilitate innovation in such a market is of paramount importance, particularly in view of more targeted regional policy implications. To conduct our empirical investigation, we use multiple data sources covering the period 2012-2018 ideal for panel analysis purposes. Our baseline model specifications show that the number of patents output increases in context with higher social trust. We extend our model by also considering firms' specific financial conditions such as firms' financial constraints. Empirical evidence suggests an even more exacerbated positive effect of social trust on firm innovation among firms with severe financial constraints. These results are consistent to a series of robustness tests. Regressions are re-estimated through Tobit model specifications, and alternative measures of innovation. To further address potential endogeneity issues, two-stage least squares regressions are estimated by employing two instruments suggested by the literature of social capital including blood donation and ethnic diversity. The results remain unaltered across all the 2SLS model specifications.

**Luca Andriani** is a Senior Lecturer (Associate Professor) of Economics at Birkbeck University of London, founder Co-Director of the Centre for Political Economy and Institutional Studies (Birkbeck), and founder Director of the Video Series 5-Minute. He is interested on studies the role of social norms, values and trust on the governance of the state-citizens relationship as well as the cognitive aspects that influence individual's attitudes towards corruption and tax evasion. He has published on different top field journals including but not limited to the Cambridge Journal of Economics, Kyklos, the Journal of Institutional Economics, the Journal of Economic Issues, Strategic Change, the Review of Social Economy. With Dr Randolph Bruno he has recently guest edited a special issue for the Journal of Institutional Economics titled "Institutions and Culture in Economic Contexts".

**Monday 27<sup>th</sup> February 2023 - 5.00 pm (CET)**

**The seminar will be held online:**

**<https://unito.webex.com/meet/OEET>**