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ВПЛИВ СТАТЕГІЧНИХ РІШЕНЬ НА ЕКОНОМІЧНЕ ЗРОСТАННЯ КРАЇН З ПЕРЕХІДНОЮ ЕКОНОМІКОЮ

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За останні десять років були розроблені та частково втілені в життя велика кількість наукових теорій щодо порядку проведення реформ в країнах Центрально-Східної Свропи. Однак, до цього часу не існує загальноприйнятої макроекономічної стратегії, яка б привела до створення стабільної макроекономічної ситуації та сталого розвитку в країнах з перехідною економікою. Згідно з положеннями економічної теорії, джерела економічного зростання в розвинутих країнах та країнах, що розвиваються, є різними. Тому при формуванні макроекономічної політики уряди країн з перехідною економікою повинні приймати до уваги цю різницю джерел економічного зростання.

Ключові слова: економічні реформи, країни з перехідною економікою, макроекономічна політика.

Introduction

The transition to a market economy in the Central and Eastern Europe began in 1989 "with Poland inaugurating its big bang stabilization and reform program on January 1, 1990" [10, c.45]. This process of economic transformation has attracted the attention of scholars from different countries and different schools. A diversity of scientific approaches to the strategies of reforms has been created and partly implemented into life during the last ten years. However, there is no commonly agreed macroeconomic strategy, which can lead a transitional country to a stable macroeconomic environment and sustainable growth. But it has become obvious that the approach to growth in transitional countries should be different from the one in highly developed countries, as the key sources of growth are substantially distinct between them [5]. While speaking about highly developed countries, which compose the Technology Frontier Area (TFA), then "the per capita growth in these group of countries is driven mainly by their inventive and innovative activity" [6, c.168]. If we consider group of the countries, which do not belong to TFA, including transitional countries of the Central and Eastern Europe, here mainly technology transfer from the developed part of the world drives the per capita growth. It was stressed by S.Gomulka, " the variation in the accumulation of capital, both physical and human, and in the growth of foreign trade have been, apparently, the key factors underlying the inter-country variation in that transfer and therefore also the rate of growth" [6, c.168]. That is why in formulation of macroeconomic policy, directed to maintaining a stable macroeconomic situation and preparing ground for sustainable growth, governments of transitional countries should take into account these differences in growth engines.

Sources of economic growth as predicted by theory.

The last two centuries were rich for evidence of economic growth in different countries and different parts of the world. This fact enhanced great deal of empirical and theoretical

researches. The most influential for the further research was neo-classical model of Solow and Swan. Robert Solow described his writing in the middle of 1950s as an attempt of improving the dominant Harrod-Domar model of economic growth. Harrod-Domar had explained economic growth as the consequence of the interrelation of three variables - the savings rate, the rate of growth of the labor force, and the capital-output ratio, which were all exogenously given [20, c.307]. In his representation of technology Solow distinguished three factors: "straight labor, straight capital, and residual technical change" [20, c.314]. Equilibrium growth rate of an economy in the Solow model was not a function of saving/investment rate, but of "the rate of technological progress in the broadest sense" [20, c.209] and each economy had a unique and stable growth path determined by the growth of the labor force and of technical progress. In the Solow model technology is a key determinant of economic growth but at the same time it is unexplained within the model. One of the predictions of the neo-classical models is conditional convergence. The lower the starting level of real per capita GDP, relative to the long run or steady-state position, the faster is the growth rate. The driving force of this conditional convergence is diminishing returns to capital.

The evidence of duality of the world economy and consequently the sources of economic growth had been the trigger for development of models dedicated to description of the most developed part of the world - Technology Frontier Area. Technology Frontier Area can be defined as collection of firms that know "the production methods that at any given time are either the most economical or most productive in the world" [7, c.169]. Phelps developed one of the first models that started to describe the economies like TFA [18, c.133-145]. This two-sector model aimed to find the rates of balanced growth of technology and output given that factor of production (labor and capital) optimally distributed between convention production and inventive activity.

The "new growth theory" approach, that was initiated by work of Arrow [1, c. 155-173] and further developed by Romer [19, c.1002-1037] and Lucas [13, c.3^42], returned the rate of investment to the key growth determinants. The meaning of endogenous growth in the "new" growth literature is that output grows faster than exogenous factors alone would make it grow. The rate of technological change and hence, the rate of growth, is no longer taken as given from outside, but is dependant on the optimizing behavior of economic agents. Impact of government policies is potentially more significant in the endogenous growth model than in the Solow-Swan type models. Permanent shifts in policy lead to permanent growth rate shifts in the new growth models, whereas neo-classical models predict only an output level effect. Among the government policies that promote long-run growth in the endogenous growth models are "taxation, maintenance of law and order, provision of infrastructure services, protection of intellectual property rights, and regulations of international trade, financial markets, and other aspects of the economy" [2, c.13]. Substantial part of the new growth theory is concerned with the diffusion of technology and technological transfers as the potential sources of growth in less developed countries. These theories predict the conditional convergence, as imitation activity is always cheaper than innovation activity.

Macroeconomic policies in transitional economies.

The choice of correct macroeconomic policy is very important and, at the same time, very difficult task for governments of transitional countries. Mancur Olson [15], for example, has provided extensive evidence suggesting that what matters is how resources are used rather than how large they are. Thus, government policies and institution design become central to the explanation of divergent growth path. There are a few macroeconomic policies, which we would like to single out as useful for economic growth.

Macroeconomic stabilization policy

Under the term "stabilization policy" we mean the policies that are directed against inflation, towards stability of public finance and external balance. In a majority of transitional countries initial increase in inflation was connected on one hand with combination of price liberalization and on the other -- with large fiscal deficits. This compelled governments to use monetary financing of budget deficits and hence encouraged rapid inflation. The negative impact of inflation on the growth of real GDP recently was shown in different empirical studies [4, 5, 11]. However, at lower rates of inflation there is less evidence of a clear link between inflation and growth. Inflation is associated with weaker growth only above a certain threshold rate. The precise value of this threshold is difficult to determine and most likely it varies across countries but most empirical researches have showed that sustained growth is usually associated with inflation below 30% [8, c.62]. Among the recommendation that can be used for diminishing of the inflation are tight monetary and credit policies, monetary reforms and non-inflationary sources of financing the budget deficits.

In each country of the region one of the main tasks has been the creation of new tax system that could balance the decline in profit and turnover taxes from the contracting state sector with increased revenues from other sources, such as VAT and personal income taxes. The great challenge in all CEE and FSU countries is the expenditure side of state budget. AH countries inherited from the past very generous social transfers, large subsidies for the state enterprises and large defense expenses. Besides, the overall government part in GDP is too large (50-60% in average) comparing with developed countries and developing countries with the same level of per-capita incomes. Hence, the diminishing of the government part in GDP to 30-40% level, respective decreasing of social transfers, defense expenses and subsidies and increasing the share of spending on education and infrastructure, which have positive externalities, would be comprehensive policy in this area. The reform of pension system with establishing private pension schemes can increase substantially the savings that play important role in stimulating growth in economies that do not belong to TFA.

Structural changes

It was noted by many researches that stabilization is necessary but not sufficient condition for sustained growth. If structural reforms are not implemented, stabilization may not be sustainable and the recovery of the economy may be short-term. Economic reforms at most of CEE and FSU countries were directed to a substantial reallocation of resources in order to remove the distortions inherited from the past. This reallocation, in turn, while causing temporary adjustment costs reflected in the initial decline in output, in long-term perspective increases the economic efficiency and supports the subsequent recovery. Among the structural reforms that are primary important for economic growth in transition countries we consider the policies directed to creation of the new private sector, reorientation of the trade and the development of infrastructure and new institutions.

Before the beginning of transition the countries of region composed almost closed trading block and only a small share of trade was conducted with the rest of the world [8, c.90]. Trade within the Council for Mutual Economic Assistance (CMEA) was extremely specialized with little regard to comparative advantage or transport costs. The redirection of trade toward more developed countries makes it possible to get access to larger pull of new technologies and thus can stimulate the economic growth. Liberalization of foreign trade will also increase external competition and it can encourage innovation in transitional economies. Transformation of the former socialist industrial R&D into competitive business-sector innovation activities,

establishing interactions between firms and other research units, and accelerating international diffusion will stimulate greatly the sustainable growth in transitional countries [16, c.175-195].

Navaretti B. and Tarrr G. [14, c.1-15] found considerable evidence that imported technologies raise total factor productivity in importing countries, especially developing countries that acquire technologies through imports of intermediate goods. They also provided some support for the argument that export and foreign direct investment are channels for learning. They noted that "policies aimed at promoting technological development should strengthen the absorptive capacity of importing countries and address the complementarity between human and physical capital in a broader context" [14, p. l]. We agree with a conclusion drown by these authors that government should not limit or guide the selection of technology. Such policies could hamper growth, because they either force producers to choose sophisticated technologies that they are unable to use or they prevent producers from buying the most appropriate and efficient technologies. The policy objective should be to allow as diverse a choice of technology inputs as possible, since diverse inputs are likely to increase productivity.

The magnitude of international technology transfers to transitional economies is related positively to both capital accumulation and the development gap [5, c.5]. The latter represent the potential possibility for the economy to use the advantage of economic backwardness for economic growth, so called "catching-up" phenomenon. Technological spillovers from the advanced to the backward countries, mainly via international trade and foreign direct investment are the main mechanism of implementation of this phenomenon. But a country needs to have necessary absorptive ability to use this possibility.

Creation of new institutions that were absent in centrally planed economies is important element of the economic transformation. "A lack of institutional development turned out to be the missing element in transition policies based on the Washington consensus. Instead of sustained growth, liberalization and privatization without a well-organized market structure led to extended contraction" [12, c.7]. Among these new institutions are legal framework, bankruptcy institutions, central bank, which was absent or underdeveloped before, system of commercial banks, property right system, social benefit systems, new accounting system and many other.

Exchange rate policy

Exchange rate policy is important integral part of government macroeconomic policies appointed to maintain the economic growth of a country. It was shown empirically [17, c.318—336], that choice of exchange rate is important for output growth in transitional economies. The main tasks for exchange rates are provision of competitiveness at the foreign markets, maintaining the external balance and increasing the creditability of a country. Countries of region adopted all possible currency regimes during the last 10 years from freely floating exchange rates at the one side to currency boards at the opposite one. To our mind, the choice of exchange rate regime should depend on a precise situation in country, on the level of international reserves and the situation with current account balance. At the beginning of transformation it was desirable to have some form of fixed nominal exchange rate, which could be used as the nominal anchor for the price level. Latter, as the level of foreign reserves increased, more flexible regimes are more useful. Policy of anticipated crawling peg proved to be very useful in reduction external shocks. It was successfully used in Poland and Hungary, but with slight differences in its applying. In Poland it reflected more the situation with external balance, while in Hungary it also was connected with the changes of CPI and the decline in real disposable income. So the inflation in Hungary remained fairly low, compared

with other transitional countries, but at the cost of a sizeable appreciation of the real exchange rate [3, c.6]. This caused a loss of competitiveness and problems with a balance of payments. Adoption of currency board is risky enough as it, while isolating country from the external shocks, reduces the possibility of conducting independent monetary policy.

Conclusions.

Transition economies inherited certain features from the previous centrally planned system that have affected prospects for their long-term growth. Among the most important features is the well-educated workforce, relatively old and economically obsolete plant and equipment, a need for radical reallocation of resources both within and between sectors, an inadequate physical infrastructure and underdeveloped market-oriented institutions. It can be surely said that there are no single recipes for growth, which can be used in every transitional country. Policies that seem to generate a high growth rate in one country may not produce equally positive results in another. Even in one country different macroeconomic policies would be needed in different times and different situations. But still there are some common features, which are useful in determining macroeconomic policies. Among the most frequently named sources of economic growth in transitional economies are the investment in physical and human capital (and hence saving); investment in research and development and infrastructure; the human factor proper (population growth); openness to trade; the development and upgrading of financial system; maintaining a generally acceptable distribution of wealth within country [9].

Successful recovery of economy and beginning of growth is tightly connected with macroeconomic stabilization. Evidence from transitional countries and econometric analysis of this phenomenon suggests that stabilization is necessary prerequisite of growth. At the first stages inflation rates should not be more than 40% with less then 10% at the letter stage of development. Increase in savings, and hence in investments, through the pension reforms and reformation of tax system is one of the important parts of government policies. Public spending also has to be directed to such a sectors as physical infrastructure, research and education. Government should maintain tight fiscal and monetary policy and to accept exchange rate regime which can help to maintain external stability.

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POLICY INFLUENCE ON ECONOIMIC GROWTH IN TRANSITION COUNTRIES

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During the last ten years a diversity of scientific approaches to the design of reforms in Central and Eastern European countries has been created and partly implemented into life. However, there is no commonly agreed macroeconomic strategy, which can lead a transitional country to a stable macroeconomic environment and sustainable growth. Economic theory predicts that sources of economic growth are different in developed and developing countries. That is why in formulation of macroeconomic policy governments of transitional countries should take into account these differences in growth engines.

Keywords, economic reforms, transition countries, macroeconomic policy

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