

*Christopher O'Neill*

**Poland's mass privatization program: institutions versus the market**

Fifteen out of the 22 nations that arose from the former Soviet bloc introduced mass privatization (MP) programs and of these 15 programs, 12 were large and quick – that is encompassing at least 25% of medium and large SOEs and taking place over several years. These programs emphasized market forces over institutional frameworks. The speed, size and lack of institutional framework of these programs have been cited as factors that led to deleterious economic outcomes. Poland's program, known as the National Investment Fund (NIF) program, was, however, limited in scope, occurred over a prolonged transitional period and took place within a structured institutional context that tried to channel the power of the market to the benefit of participating companies. What then were the outcomes of the Polish MP, where speed was replaced with gradualism and market forces were reinforced by an institutional framework? Did these factors make a difference in the economic outcomes of participating companies? These questions are significant when one considers the size of Poland's program. Although indeed smaller than most other MP programs in the region – it still entailed about 11% of total state assets and encompassed 426,000 employees in 512 participating – or portfolio - firms. Many of these firms were market leaders in their given sectors in the Polish economy with high market shares and established distribution / client networks. What happened to the economic potential of these firms and why?

Using original empirical material – including longitudinal financial data from portfolio companies and interviews with managers from both these companies and from fund management firms – the author concludes that the NIF program did not contribute to Poland's economic growth and that most of the firms that participated in the program had poorer economic results in 2005 than when they entered the program in 1995. He describes a level of state involvement in the program that was deficient both in terms of program construction and program oversight – loopholes in the law on the creation of the program, for example, enabled the national investment funds and their management firms to skirt their restructuring responsibilities towards program participating companies while insufficient state control facilitated unfavorable sales of portfolio companies and insider activity. The Polish mass privatization program, instead of harmonizing the authority of institutional control and the power of market forces, degenerated into a contest between institutions and the market. In this contest the primal forces of the market – often on the back of opportunities created by deficient institutions - won out with consequent economic detriment to Poland's economy.

*Melnikov Dmitry Vladimirovich*

**The joint- stock companies and Russian industry today: interaction between national, collective, regional and personal interests.**

In modern Russia joint-stock companies accounted for 80% - 85% of industrial enterprises, 60 % - 65% of them are open joint stock company and 35% - 40% respectively, the closed joint-stock companies. Open Joint Stock Company - is a company where the issue of shares made through public subscription and transactions the shares does not require the consent of shareholders. Closed Joint Stock Company has the following characteristics: 1) the company's shares are distributed only among its founders; 2) the company shall not conduct an open subscription for shares which had been issued.

Political economy analysis of the joint- stock companies should be considered in the system of the national, regional, collective and personal interests of the subjects of economy. And here Russia has a peculiar and vivid economic picture.

Proceeding from the national interest, the work of the joint stock company did not bring nothing for Russian society , because it did not provide an update of an industrial park for Russian economy and as a consequence was not only the source of productivity growth, but on the contrary significantly lowered it. For example, before the collapse of the Soviet Union, even in 1990 labor productivity in Soviet industry was about 65% - 70% of the labor productivity of the US industry; respectively in 2008 – 2009 the level of labor productivity in Russian industry was about 40% - 45% of labor productivity in the U S industry.

Therefore, in a society naturally raises the question of strengthening the state influence in the Russian industry, using the experience of central planning of the USSR.

Corporatization is interacted with regional interest. Here we are talking about the impact of large public companies on the economy of the subject of the federation in Russia. For the absolute majority of the subjects of the federation, these companies are economic «appendage princes" in those subjects of the federation, where they are registered, because on average they are 70% - 75% form the regional budget receipt. For example, the budget receipt of the Yamalo-Nenets Autonomous Region on 85 % - 90% is formed by open joint stock company Gazprom. Obviously, the most important political decisions in the data subjects of the Russian Federation are an algebraic linear relationship depends on the strategic decisions of large joint – stock companies.

When analyzing the collective interest the main focus is the increasing tension

between the interests of the principal and auxiliary personnel and top management in the large joint-stock companies. The gap in annual fund nominal wages of top management and the principal and auxiliary personnel in the joint-stock companies on average 9 - 11 times. For this reason, despite a vast propaganda of "charms" of a market economy, the absolute majority of the industrial personnel support socialist ideas the former Soviet Union.

Personal interest to shareholders lies in the dividends received by shareholders on simple and preferred shares. The dividend received by simple share depends on final financial results of the joint stock company. The dividend received by preference share must be paid according to announce in the general meeting of the shareholders.

*Svitlana Sudyn*

### **Foreign direct investment in Ukraine**

Foreign direct investment plays an important role in the fast-growing international business. For a country where the investment will come, it means new technologies, increased production and improved management, that is, investment can give a strong impetus to economic reforms.

Contemporary socio-economic situation in Ukraine is comparing with other countries, conditioned by the historical factors. As part of the Soviet Union, the economy of Ukraine was an integral part of the common Soviet economy and subordinate to joint plan for all the republics. After disintegration of the USSR is carrying out changes in the economy of Ukraine. The Government acceded to the radical economic transformation from the planned economy to the market economy after independence.

Transformation process and transformation taking place in Ukraine meant that its very important foreign direct investment for increasing the economy. While in 1994-2000, foreign companies have invested directly in the country only \$ 3.3 billion, starting from 2001 to 2008 in Ukraine attracted 32.44 billion in FDI.

The main advantages of the inflow of FDI in Ukraine is a large domestic market, various industries, cheap labor, good geographical position, the lower the degree of competitiveness of local businesses, low investment in environmental protection. However, negatives for investors are corruption and bureaucracy, infrastructure of government, frequent changes in the law, and instability of tax legislation.

### **Strategy of sustainable development of the region**

The topic of the paper is devoted to urgent and actual nowadays in Ukraine subject of systematic, structural and comprehensive regional management based on the development of the strategy of the region. As an example and practical application of existing theoretical approaches the strategical plan for Ternopil region was developed.

Being in transitional economy, Ukraine has huge potential for rapid growth and development of the national welfare. And if at the macro-and microeconomic levels, we can see some changes and improvements, the regional government policy is inconsistent and very controversial in terms of government regulation.

Nowadays we can often hear the fact that on the one hand the basis for economic policy both at the macroeconomic level and at regional level should be the increase in the Gross Domestic Product or Gross Regional Product per capita, which in the world literature is the main indicator of economic growth. On the other hand there are many people who support the so-called strategy of sustainable development, which main issue is quality improvement without quantitative increase. According to the author of the paper opinion, between these theories balance can be found with the implementation of strategic management in the region and therefore further research task is to analyze the possibilities and consequences of implementing this strategy in the regions of Ukraine.

The state of regional management in Ukraine is not satisfactory and very poor. Regional development strategies designed for today are characterized by weak methodologies, by inadequacy to the real economical conditions and do not contain clearly defined mechanisms and recommendations for resolving the problems of the regions. Also significant defects exist in the institutional and legal framework for the regional development of Ukraine. The system of strategic management of regional development in Ukraine needs substantial improvement.

In previous researches the author was analyzing the development of the Ternopil region.

Since the formation and control after the implementation of development strategies in all regions is difficult task, it is an efficient idea to work out development strategy for the group of regions that have certain common features. One of the priorities of the regional strategy should be the formation and development of regional clusters as key elements of the innovation system.

Clustering of regions should become a part of competitive policy of the country, which would

be based on the management by the regions common features and would include increasing of those indicators that have the largest percentage in their combination.

By this paper author suggests further research in strategic management of the regional development that will help the government to reach the optimal balance between sustainable development strategy and economic growth strategy in managing the development of the region. The author believes that the definition of contradictions and possibilities for finding a consensus among these strategies for implementation in Ukraine will be an important and urgent contribution in the development of Ukrainian economics and can be realistically applied in practice.

*Hanna Danilovich*

### **Extent and Limits of Enterprise Autonomy in Belarus**

The paper is an attempt to analyse real mechanisms of HR processes in Byelorussian enterprises and the factors influencing them. It is argued here that neo-liberal based Western HRM paradigm cannot explain what is really going on with employment relations both on external and internal labour markets in the country. It is obvious that they have experienced some changes after 1991; however, the nature of these changes, their main mechanisms and links to companies' performance have not been analysed. Since the start of transition in the early 1990s, enterprises were advised to follow 'universalist' Western practices of personnel development what both managers and workers were unwilling to do.

Belarus represents a very specific case in this regards, for no Western practice is actually working there. The reason for a complete failure of Western labour market institutions in the country is an extremely high government control over labour relations. It is argued that instead of moving towards market reforms, Byelorussian government preferred to preserve and enhance the old socialist system of labour regulation justifying it by the overall goal of building a German-like 'market socialist system'.

Thus, the paper aims at making two main contributions: first, by providing a comprehensive description of mechanisms of the functioning of external and internal labour markets in Belarus and; second, by adding to the discussion of whether the country's economy is going through transition or "faking" it.

## **The influence of systemic transformation and EU accession on entrepreneurial behaviour in Poland**

This article investigates the phenomenon of small and medium sized (SME) enterprises in Poland and will analyse the influence of both systemic transformation and EU accession in order to identify existing beliefs and behaviour amongst entrepreneurs over time.

To Mueller and Thomas (2000) entrepreneurship 'varies across countries due to differences in cultural values and beliefs', thus some cultures may value and support this type of behaviour more than others. Culture is understood here as commonly shared (within one country) set of values and beliefs and expected behaviour. Analysing changes in attitudes towards entrepreneurship assumed as an expected economic behaviour can provide an important evidence of mechanisms of cultural change and also the cultural perception of entrepreneurship over time.

Overall this research will analyse the change in attitudes towards entrepreneurship over 20 years. By choosing this period it is aimed to find evidence for the hypothesis that culture and entrepreneurship evolve together, influencing each other.

The article argues that entrepreneurship supports transformation of old systems of values and beliefs. In this sense it helps national culture to evolve and adapt to changing environment. Entrepreneurship is understood here as a behaviour which can modify values and beliefs of one society and introduce new, especially during drastic shift events such as systemic change and the EU accession.

The cultural context can be multidimensional and hard to capture in any type of study, therefore this study will focus on the start-up phase of SMEs. The effect of cultural change will be investigated by following cultural influence on SME formation, attitudes and motivation for starting up businesses, barriers faced by nascent entrepreneurs, the kinds of businesses and the entry strategies. To find the connection between cultural change and attitudes to entrepreneurship qualitative approach will be applied by focusing on entrepreneurs who opened their businesses around the year 1990, 2000 and 2010. The first is the time of systemic change, the second is 10 years after and the third is six years after the EU accession. Some early results from fieldwork, along with methodology will also be presented.

## **The Rebirth of Regionalism in East-Central Europe: The Case of the Banat of Temesvár**

The present paper proposes a theoretical analysis of the resuscitation of regions and regionalism in East-Central Europe within the legal and financial framework of the European Union. Taking the specific case study of the Banat of Temesvár, a historical province which used to be part of Austria-Hungary and is currently divided between Romania, Serbia and Hungary, I propose to examine the reasons behind its reinvention as a cross-border Euroregion, its relationship with the nation-states it straddles and the incentives for local actors to pursue cross- and sub-national projects. The Danube-Kris-Mures-Tisa (DKMT) Euroregion came into being in 1997 across the triple border dividing Hungary, Serbia and Romania, and includes the historical territory of the old Banat alongside a wider fringe covering the whole of Vojvodina, several counties in southern Hungary and one in southern Transylvania. The new region is, by contrast to its predecessors, not the result of wars, conquests or peace treaties, but rather a cross-border community of economic, cultural and infrastructural interests.

This analysis will consider the inherent limitations of the nation-state as a political and administrative entity and the ways in which the new EU framework conditions national actors as well as being itself instrumentalized by the latter. The recreation (with a difference) of the old Banat of Temesvár in the form of a Euroregion has been chosen as a case study owing to its bringing together an eclectic combination of states (two EU states, Hungary and Romania, and one non-EU, Serbia), all of them with a long tradition of state centralization behind them and all of them with a chip on their shoulder when it comes to inter-ethnic relations. The present paper thus aims to analyse the dilemmas of regionalization in the context of knee-jerk reactions and fears of secessionism and the possible pitfalls of the process of regionalization, in particular what has been termed 'Euro-corruption' and the hijacking of EU schemes in order to serve local political purposes. The paper, moreover, looks into the dual potential of regional stabilization and destabilization of EU regionalization schemes depending on the specific social-political context of each of the countries involved in the process of regionalization.

Intergenerational transfers and intergenerational altruism in transformation of social institutes and processes

Measurement of intergenerational transfers is an important and widely covered issue associated with researches in poverty, economic inequality and socio-economic policy efficiency.

An intensity of voluntary intergenerational transfers can reflect a level of intergenerational altruism in a society. The intergenerational altruism is a motive of behavior when parents (or children) take care not only of their own wealth, but also of a wealth of their children (or parents) correspondingly.

An idea exists that a level of intergenerational altruism differs in different countries. This is of great importance for economic and sociological theories and for social policy planning. For example, it is necessary to take into account the level of intergenerational altruism in a society when planning a pension reform.

In the paper, we analyze a variation of a level of intergenerational altruism in different countries and its relation to society modernization and evolution of other social institutes and processes. Our goal is to include an intensity of voluntary intergenerational transfers into macro-sociological context.

A main idea of the paper is that a level of intergenerational altruism in a society is determined by social factors and it is changing (decreasing) when the society is modernizing.

To demonstrate this we compare results of researches of intergenerational transfers in Russia, in the U.S.A. and in European countries (France, Germany), supposing that a society in Russia is less modernized than societies of the U.S.A. and Europe.

We analyze how the level of intergenerational altruism in a society is determined by social factors (type of a family, social mobility and others). A modernization of a society is accompanied by transformation of social relations (links between relatives are weakening), transformation of a family (families consisting of 3 or more generations is being replaced by the families consisting of two generations or one generation), development of social security system, increase in social mobility (adult children living separately from their parents are met more frequently than before). These processes contribute to decrease in intensity of voluntary intergenerational transfers and to decrease in a level of intergenerational altruism in a society. This allows us to consider an intensity of intergenerational transfers as an indicator of the society modernization process.