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**OPENNESS OF TRANSITION ECONOMIES:  
THEORETICAL AND METHODOLOGICAL  
ASPECTS**

**Abstract**

The article discusses theoretical and methodological aspects of overcoming autarky and formulates characteristics of openness of transition economies.

As autarky and openness of national economies are at variance with the world economic environment, the ways and methods to overcome this discrepancy are offered.

**Key words:**

autarky and openness of transition economies; nature and genesis of openness of transition economies; types of openness of transition economies; synergism of appropriation and accumulation that secures the openness of national economies of a transition type; ways and methods that lead to openness of national economies within the world economic environment.

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The research of openness of transition economies analyses development of internal and external preconditions for the entrance of countries with undeveloped market relations into global economy. The urgency of such research is caused by several reasons. First of all, the necessity to use efficiently internal resources and receive benefits from relative advantages based on placement of redundant production factors. Second, the so-called «paradox» of countries with high level of natural and economic provision that do not get adequate effectiveness from international division of labor when their economies become open. Third, the necessity to find common regularities in the behavioral model of transition economies that cannot be described straightforward. Transition of some countries to the open economy is fast and without any complications, the other countries transform slowly, the third ones prefer to remain closed despite of external impact (investments, loans, etc.). Forth, the necessity to find out internal development causity on the basis of revealed contradictions - which when resulted in conflicts - serve as the basis to forecast scenarios of openness.

Based on the above, we attempt to explain different response of transition economies to external influence and foretell the development from the point of view of openness that was elaborated on metatheoretical<sup>1</sup> level of research. Specifics of openness in conditions of market transformation can be explained from the point of concept of geterogenesis.

### **The nature and genesis of openness**

The nature of openness is defined by its place in the system of relationships between national economy<sup>2</sup> and global economy. The dualism of openness category as a system's attribute determines the duality and ambiguity of interrelations and interdependence. To reveal the essence of openness, as a system attribute requires clarified definition, we need some specifications, as this problem is not elaborated well enough. In scientific literature this conception is described only from one side.

«Openness» implies «open society»<sup>3</sup> or «free economy», study of which was usually based on the theory of positivism<sup>4</sup>. In both cases such incomplete description requires some extra explanations about «closeness» as a double

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<sup>1</sup> Metatheoretical – level of knowledge that explains the phenomena and processes based on using concepts that lie between empirical and fundamental theories.

<sup>2</sup> The term «a national economy» is used with the purpose to show specifics of transition economy as a structural element of the world economy.

<sup>3</sup> «... «open society», where laws, discretion in relations, equality, and freedom should govern...» [2, p. 3].

<sup>4</sup> «Openness is a free flow of goods, capital, labour resources, and knowledge, which transfers technologies and leads to economic growth in all countries». [3, p. 88].

category that results in the certain tautology of concepts. We think that the problem of adequate description of «openness» is caused by specifics of cognition process and by the movement to a new gnoceological level that demands summarization and systematization of one-type categories.

The «openness of national economy» refers to abstract categories of a higher level than «open economy», «open economic system», etc., that are commonly used in economics. The reason for such specifications is the movement from partial to general through dialectical interrelation of pair categories. The necessity to search for more complex concept structures in order to explain some phenomena of modern life is connected with specific features of transition economies. These economies, according to the theory of system evolution, are synthesised heterogeneous forms<sup>5</sup> that comprise opposites as a source of their development. From the point of continuous development of the concept function, it is logical to assume that the combined categories «open» and «closed» economies are the two opposite forms of how the economic system manifests its features which regulate its relationship with the environment. Therefore, the openness of national economy as a category is the relationship that determines the conditions of expansion and limits of an economic system in the development of international cooperation.

We consider the open national economy as the form of economic environment<sup>6</sup> manifestation. Inadequate study of economic environment is due to its undefined gnoceological form. The attempts made to explicate this concept were not adequately accepted in the scientific world. At the same time, the use of space-time characteristics of open society allows to deepen significantly research of the subject.

The role of openness in the system of national economy is determined by priorities of economic relations in the development of international cooperation (market monopolization, level of development and distribution of production forces, trade conditions, competition, etc.) than by geopolitical, social, national, and cultural factors (political instability, conditions of international agreements, national and cultural traditions, etc.) The place of «openness» in the system of international economic relations is determined by its ability to

<sup>5</sup> Heterogeneous forms are the forms that are opposite to their original source. The concept was first used by Prof. V. K. Chernjak (see «Economic Sciences», 1988, № 2, p. 15–23).

<sup>6</sup> Economic environment, historically formed various forms of property, that have been shown in a continuum of the economic–time relations that coordinate coexisting economic systems as elements of this environment and arrange them using a unified system of measurement (relative cost, organization measure and efficiency norm) that are necessary for full reproduction of this system, (see. О. А. Королев, Л. А. Соловей «Проблема экспликации понятия «экономическое пространство») [2, с. 29–41].

identify the valency<sup>7</sup> of a national economy as part of global economy, i.e. the country's ability to organize foreign economic relations.

The nature of openness of transition economies is determined by specific factors of their growth as of complex heterogeneous systems<sup>8</sup>. The factors that define the type of national economy's openness we classify as internal and external depending on the way they influence it. As a result, we identify two types of openness: natural and forced<sup>9</sup>. The natural openness refers to internal causes of the development of national economies to the level of its natural and economic self-sufficiency and is characterized by ability of a country to take part in international labor division. Natural openness can be distinguished as potential and economic. Potential openness (or natural self-sufficiency) is determined by geopotential<sup>10</sup> level of national economy that creates absolute and relative advantages for participation in international labor division. The geopotential of a country limits the expansion of country's relations with the world economic system. Redundant or insufficient production factors create preconditions for countries in transition for their participation in international exchange. For example, Turkmenistan with advantages in some natural and climate conditions to grow cotton has a high level of natural openness in this monoculture.

Economic openness (or the economic self-sufficiency) is determined how a country is provided with production factors and is characterized by ability of national economy to participate in international movement and reproduction of these factors. The growth and allocation of basic production factors (labor and capital) determine the type of reproduction and the limit of economic openness.

The degree of natural and economic self-sufficiency of transition economies is the most important condition of openness; however, it does not guarantee their national independence. Many countries with high level of natural (Turkmenistan, Azerbaijan, etc.) or economic (Belarus) self-sufficiency cannot realize their internal potential because of their uneven development, irra-

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<sup>7</sup> Valency (an lat. *valentia* – force) – though this term is not used in economic terminology, we find it appropriate to use it in order to determine the place of the concept of «openness» as a structural attribute within the system of economic categories.

<sup>8</sup> The theory of complex heterogeneous systems is one of the parts of general theory of systems.

<sup>9</sup> The classification is based on distinctions in consequences of the internal (natural) and external (forced) influences. It is assumed, that the behaviour of economic systems in a certain measure is adequate to general theoretical influence of external factors on an abstract system or object according to the concept of the forced influences that transmit the directions and force of influences to the system or object at which they are directed.

<sup>10</sup> Geopotential is the potential of national economy determined on the basis of the country's advantages in usage of natural factors (natural, climate, complementary resources, etc.).

tional resource use, technical backwardness, undeveloped internal market forms that make them dependant from the outside world.

Forced openness refers to external causes of national economy's development as a part of the world economy, to its requirements in constant expansion of international trade. The forced openness is also characterized by the degree of country's dependence from the world social, economical, cultural, and political systems (international trade division, globalisation, mutual influence of countries, etc.).

One of the regularities in the development of transition economies is the internationalization of reproduction process, adaptation to the needs of countries that determine the world trade and international allocation of production factors. Typical for internationalization of reproduction is the secondary role of transition economies in the world production of goods and services. The majority of countries have a little share of finished goods in exports.

Transition economies became the area to serve for reproduction of developed countries. Many companies with foreign investments do not produce the finished goods. The new technologies allow for production of only intermediate products. This specifies the country's international economic role as peripheral<sup>11</sup>. Transition economies are getting involved in international polarization<sup>12</sup> through market relations (competition, state of the market, etc.), economic, political, and cultural impact (investment policy, government regulations, trade agreements, political influence, tariffs, development of cultural relations, tourism, etc.), and other national economies, multinational corporations, international organisations, and unions.

New zones of influence have been created in the last decade, such as the IMF with the system of world banks, international regional economic organizations (the EU, NAFTA, and ASEAN), and military political blocks (NATO). The uneven development and instability of the post-soviet countries increase. Several countries play the role of the regional poles. Battler (Canada) defines them: in Eastern Europe it is Russia (Poland is next), and in East Asia this role among the post-socialist countries is taken by China, though it is second – and much smaller – after Japan in volume of GNP. A small number of countries (Poland, Slovakia, Hungary, Slovenia) surpassed their economic level of 1989. The majority of them are in debt.

The poorest group of 7 countries appeared: Armenia, Azerbaijan, Georgia, Kyrgyzstan, Moldova, Tajikistan and Uzbekistan. According to the IMF their debt exceeded 11 billion dollars. Some regions of post-socialist region are

<sup>11</sup> «Peripheral economy» is the economy of the country that is developing; it differs from «the centre» (industrialized, developed countries).

<sup>12</sup> «The effect of polarization refers to the connection between the movement of goods and factors that polarizes the production of some goods in the global economy» – see: Є. В. Савельєв «Міжнародна економіка». – Тернопіль: Економічна думка, 2001, p. 189.

now under international protection (Bosnia, Kosovo) or turned into quasi-states.

At the same time with the factors of openness described above and common for all national economies, specific factors are appearing in transition economies. Among them are: heterogeneity and integrity, inertness, forms of genesis, instability of equilibrium, disproportion in development.

The inertness of countries with transition economies shows their stability as a system, their ability to retain the traditional ways of development, unreceptiveness to innovations and impact of new factors of openness. The inertness of transition economies depends on their scale. The scale of national economies (GNP, population, national income per person, etc.) determine their role in the process of international reproduction. As a rule, small countries choose the international development quicker and orient themselves in the process of polarization adhering to countries that determine foreign policy in their region. This phenomenon can be explained by the theory of small and big systems. Small economic systems are less inert and as a result are more mobile and easier adapt to the new ways of economic development.

Genesis of the openness of transition economies is determined, first of all, by a degree of development of market transformations. Countries that transform into the market economies united within the international economic environment by common problems of evolution, historically undergo the stage of social development from the planned-in-kind form of economy to developed commodity-monetary economy.

The attempts to skip some stages of natural evolution to openness by the government or external interference can lead to irreversible changes in the structure of national economies and throw them back to the «closed» economy.

Methodologically, it is better to study the movement to the open economy in the limits of theory of heterogenesis, according to which the integrity of economic processes is shown as interaction of two opposite principles. From this side, the genesis of the open economy presupposes the development as relationship between «openness» and «closeness».

The integrity of economic environment of countries in transition to market economy is determined by objective conditions of interregional and intercultural labor division, appropriate allocation of production forces, the quality of labor forces, and specifics of national culture and traditions that were created historically. According to the theory of evolution, collapse of the integrity can be seen as a natural historic stage of a peculiar «division» and transition to the new, more complicated forms of economic cooperation. The establishment of new countries within the old economic environment does not prove the disruption of internal causality of the integration process. The process of genesis of transition economies is caused not by disrupted integrity, but by the necessity to adopt new market forms of economy that are being developed within the old

economic system. From this angle, the integrity of economic environment serves as objective basis for the relationship between parts of the whole, and the heterogeneous unity of old and new economic forms. Only those forms disappear that were forced by the planned system like irrational placement of production forces which did not meet the needs of national economy.

So, the integrity of giant territorial-productive unities of nations with similar transition economies does not depend on national borders. It is the objective category of economic environment, it is its internal substantial characteristic feature. The development of openness of economies within this integrity is presupposed by the necessity to expand market forms on the economy and to find new similar forms beyond the borders. In the contrast, old economic structures tend to consolidate. That causes the internal conflict resolution of which depends, to a great extent, on the intensity of market transformations.

Countries that do not apply the time factor as the most important competitive feature of national economy, lag behind in development of the market sector of the economy. As a result, they gradually lose the achieved advantages. Without stimulation of the market sector through investments, the loss of the achieved position will lead eventually to reduction of the sector; and therefore, to return of old problems brought about by extensive-type of reproduction in transition economies.

### **Combined type of reproduction**

According to the theory of reproduction, the growth of the economic system occurs, first of all, through the expansion of accumulation limits as internal means of development. The existing form of accumulation determines the efficiency of using the production factors and, as a result, the degree of economic self-sufficiency of a national economy. It is logical to conclude that extensive reproduction is a source of development of sustained open economies.

According to the accepted in scientific literature classification, the reproduction can be of two main types - capital-consuming and capital-saving. With the capital-consuming reproduction the expansion of the economic system occurs through constant increase of the accumulation norm and at the same time when the efficiency of production factors is invariable or decreasing. The capital-saving reproduction foresees the expansion of accumulation that occurs due to increasing efficiency of the production factor. In this case, traditional factors (capital, labor, and land) are widely in line with specific factors of growth, such as innovations, knowledge, etc.

Depending on the specifics of reproduction process, different types of national economies are created. They can be classified using the concept of «in-flowing» and «out-flowing» outside resources. When there is a lack of internal production factors, the open type of economy is formed on the basis of

capital-consuming reproduction. This type is oriented at the inflow of the outside resources that serve as the source of growth. On the other hand, capital-saving reproduction creates conditions for inducement of surplus capital. This is characteristic of an open type economy oriented at the outflow of external resources.

Within the world economy, there is a small number of national economies in which the capital-saving reproduction provides export of their own surplus capital on its own basis. In other countries a combination of capital-saving and capital-consuming reproduction creates different forms of synthesis that determine the specifics of different national economies based on multiple growth models.

In countries with transition economies, the features of transition period determine the combined type of reproduction. However, in the inert transition economies the reproduction synthesis is put into practice with a constant or decreasing efficiency of the production factors (capital return and labor productivity) that predetermine capital-consuming type of reproduction. In some countries, aggregate efficiency of the reproduction factors is increasing, but their part in the surplus of GNP is insufficient, and as a result it has a small influence on the character of reproduction processes.

The main causes of such high capital consumption of transition economies are the level of development of production forces and the existing specialization of the country that determine effectiveness of the law. In many countries conditions still exist for the development of capital-consuming production (surplus of labor resources, inadequate employment of industrial capacities). As a result, the labor productivity in transition branches of the economy that play a major role in the increase of GNP are lagging behind in the capital equipment. That significantly limits the internal ability for accumulation. Growing importance of the capital-saving branches are restrained by disproportional development of national economies, poor investment support of the state and, most of all, of private enterprises, and strict tax obligations.

Creation of the combined type of reproduction in transition economies is accomplished in the conditions of uncertainty and risk. Aggregate production efficiency is decreasing as a result of negative effect of endogenous and exogenous factors' shortage of additional investments to restructure national economies, delay in market transformations, financial and political instability, negative synergy of reorientation to the needs of the global market, currency intervention, and wars of price). The tendencies are appearing that can be hardly foreseen in the process of replacement of traditional factors by unidentified ones.

Synthesis of reproduction types in transition economies can be methodologically substantiated on the basis of conceptions of cyclic interaction of reproduction flows. The urgency of such statement of the problem is caused by current tendencies in international relocation of production factors, the factor of capital, in particular. Many researchers justifiably note different efficiency of



domestic and foreign investments that lead to necessity to single out two sectors - internal and external - in the models of growth. However, though the model expansion is grounded, the nature of distinctions in the flow of domestic and foreign investments is not defined, which in many respects is connected with peculiarities of the reproduction flow cycle.

The concept of reproduction flows in scientific theory is not determined clearly. The reproduction flow implies continuous flow of production factors (consecutive change of forms) while the cost rises. The capital plays the determining role in the movement of production factors, as the capital induces the form of reproduction adequate to its nature. For example, real investments into equipment and technology that have substantiated capital-consuming form of production, bring to the country-recipient the appropriate form of reproduction of commodities made with equipment and technology of the country-donor.

So, direct investments bring different results in renewal of capital. Therefore, to make it simple, we will define real investment flows that create a capital-consuming type of reproduction in countries-recipients as  $\alpha$ -capital and the type that provides capital-savings – as  $\beta$ -capital.

The offered methodological approach allows us to track the tendencies in the movement of capital flows that have different capacity in formation of capital-intensive ( $\alpha$ -capital) and capital-saving ( $\beta$ -capital) production. Relationship between  $\alpha$ -capital and  $\beta$ -capital in transition economies is the little coordinated link between parallel running flows that do not coincide in duration of investment cycles during a certain period of time.

Application of methodological approach in defining the reproduction flows allows us to study the effect of foreign capital movement on capital-consumption of domestic production. The inducement factor of capital with an adequate to its nature form of reproduction usually is not taken into account when determining the expediency of investments. In this connection, in many transition economies instead of expected reallocation of investment resources to meet the needs of technological upgrading, we observe the growing backlog of cumulative accumulation caused by import of capital-consuming production.

The non-provision of investments under condition of mixed reproduction is significantly growing, which was brought about by two causes: 1) the necessity to increase investment resources for technological upgrading of traditional sector of the economy; 2) the stage of initial capital accumulation in market-type sectors that are characterised by insignificant share of reinvestment in surplus additional product.

In transition economies the circulation of  $\alpha$ -capital during the capital-intensive reproduction implies expansion of running capacities in traditional sectors of national economy. The need for investments into these branches is caused by the following factors: 1) significantly underused production capacity which can be started under certain conditions; 2) capital-intensive production as a determining factor of  $\alpha$ -capital growth; 3) rates of growth of capital inten-

sity due to the rising input index of idle production capacities. To calculate the need for initial investments in capital-intensive branches the following formula is proposed:

$$I_{\alpha t} = N_{\alpha} \times K_{N_{\alpha}} \times \alpha \times [(1 + i_{N_{\alpha}})^t - 1], \quad (1)$$

where

$N_{\alpha}$  – production capacities «immobilized» of  $\alpha$ -capital;

$K_{N_{\alpha}}$  – ratio of operating production capacities;

$\alpha$  – capital intensity of manufacture (specific expenses of  $\alpha$ -capital in GNP);

$i_{N_{\alpha}}$  – input index of capacities «immobilized» of  $\alpha$ -capital;

$t$  – number of years of the period of restoration of  $\alpha$ -capital.

The need to invest into capital-saving branches is caused by peculiarities of initial accumulation of  $\beta$ -capital: 1) the size of the initial capital; 2) the share of reinvested profit; 3) rate of return on capital. Calculation of the need for investment into the capital-saving branches can be estimated by the formula:

$$I_{\beta t} = K_{\beta} \times [(1 + ir_{\beta} \cdot R\beta)^t - 1], \quad (2)$$

where

$K$  – size of initial  $\beta$ -capital;

$R\beta$  – norm of profitability of  $\beta$ -capital;

$ir_{\beta}$  – share of reinvested profit.

The analysis of (1) and (2) shows that the growth of  $\alpha$ -capital suggests the expansion of production capacities, and growth of  $\beta$ -capital the accumulation to the point when it allows reproduction on its own basis. In reality, both sources of growth in transition economies cannot be fully used because of limited mobility and allocation of production factors.

## Mobility and allocation of production factors

In conditions of transition, the economic factors of production growth as conditions of openness play a determining role.

It is necessary to stress the importance of considering the production factors as traditional (work, capital, land) and specific (innovations, information resources, intellectual capital, organizational progress, etc.). Methodological appropriateness of such approach is based on one of the global international regularities reflected in the theory of professional dominants, according to which, countries go through the following stages of economic development successively: agricultural, industrial, information, postindustrial (service).

The dynamics of development of specified above processes in industrialised countries with transition conditions, to which the majority of the post-socialist states including Ukraine belong, testifies the fast growth of a share of services in the gross added value. In many countries before transition, the structure of their national economy was deformed - material production was approximately 2/3 of the total. Now the service industry exceeds half of the gross added value, and the share of market services is nearly 3/4 of it.

Transition economies now undergo changes in their institutional structure. General commercial activity increasingly grew in the last ten years. Trade, public catering, and branches of financial sector of the economy (finance, credit, insurance) are developing really fast. On this background the information sphere looks not so attractive. The share of information service in the gross added value remains insignificant.

The analysis of structural changes shows that transition economies move from industrial stage of development to service and informational with gradual market transformation of the institutional basis. This transition predetermines the appropriate reorientation at new factors of growth: information, innovations, organizational transformation of economic systems (formation of cluster, global integrated structures, etc.), knowledge<sup>13</sup>, intellectual potential<sup>14</sup>,

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<sup>13</sup> Accumulation of new knowledge, technological in particular, is an important factor of growth. Thus, marginal expenses decrease at the same time as the efficiency from the employment of new knowledge according to processes «learning-by-doing» and «learning-by-using» increases [4, p. 319].

<sup>14</sup> Intellectual potential – this term was used to characterise the effect of new knowledge.

consumption as means of personal development<sup>15</sup>.

However, traditional factors are replaced by new ones in those branches of economy where market conditions for development are created. However, as the majority of transition countries have an undeveloped market sector which makes less than a half of GNP, the role of traditional production factors remains determinant.

Let's examine in more detail the problem of rational distribution of production factors in transition economies. It is necessary to emphasize, that the problem of factorial proportions is one of the most important in the theory of international trade. According to the Heckscher–Ohlin Theorem, relative advantages of national economies are based on the relationship between a surplus of production factors and the intensity of their employment. The country with redundant certain factorial resources exports goods which are manufactured using these certain resources intensively.

However, in conditions of openness of countries with transition economies that have a lot of such resources as labor and land (and some countries of capital), we do not observe adequate increase of export of labor-intensive, food and capital-intensive goods. For example, in Ukraine, according to empirical estimates, abundant fertile arable land - relative national advantage - does not lead to the export growth of grain crops. On the contrary, during the last decade the export of grain fell much.

The explanation of this phenomenon is quite obvious for several reasons. First, low efficiency of production factors that causes the rise of production price. Second, low intensity of resource usage that slows down the development of branches and weakens competitive positions of national economies on the world market. Third, high labour input in agricultural branches and branches of primary processing industry; therefore, labour costs and, as a result, the cost of production is higher than on the world market. Fourth, backwardness of serving branches like fertilizer manufacture, storage and primary processing, transportation, etc. Fifth, growth of transaction costs as a result of imposed trade barriers (customs, duties, taxes) on the territory of postsocialist countries which earlier had privilege in trade.

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<sup>15</sup> Usually, personal consumption was considered to be an alternative accumulation, but we look at the improvement of the quality of consumption as the stimulus for the development of a person as one of sources of growth in the developed countries. For example, V. Inozemtsev, analyzing tendencies of economic growth, comes to conclusion that «in modern post-industrial societies the automatically adjusting mechanism was formed that allowed to make investments which stimulated economic development by means of maximization of personal consumption; this consumption was always accepted as an antithesis to accumulation and investments». (see. «Парадоксы постиндустриальной экономики» // *Мировая экономика и международные отношения*, – 2000. – № 3. – С. 10.)

Except for the specified reasons connected with extensive production type, the big importance for the analysis of consequences of considerable weakening of competitiveness of countries with transition economy on the world market (including the post-Soviet countries) has the research of such major market processes as mobility and allocation of production factors. In transition economies these conditions of openness are not fully observed. It is connected with a lot of fundamental problems of a transition period.

It is necessary to note, that according to theories of international trade mobility and allocation of production factors inside the country, conditions for receiving benefits from international labour division are needed. After the flows of external resources moved through the borders, the mechanism of market regulation of their effective distribution inside the country should work in accordance with the objective needs of reproduction

The mobility of production factors is expressed, first of all, in stating the objectives. The objectives of capital movement inside the transition economy are determined by: 1) alignment of branch and territorial distinctions in conditions of making the profit; 2) lessening the risk; 3) moving to more favourable spheres of capital investments (information industry, computer technology, trade, etc.), 4) concentration and centralization of capital; 5) property restructuring; 6) creation of large organizational forms based on the capital diversification; 7) alignment of salary levels and other income forms of population.

The weak internal mobility followed by reduced efficiency of production factors allocation in countries with transition economy is caused by: 1) the monopoly of the territorial-branch property on the basic means of production and land; 2) the size of entrance barriers; 3) low rate of fixed capital renovation; 4) non-economic forms of operations with the real estate; 5) backwardness of financial market; 6) inadequate innovational transformations; 7) quality level of labour resources.

The monopoly on land and fixed capital is the main cause that - after the borders of a country with transition economy were opened - prevent from receiving appropriate benefits from distribution of incomes and salaries as a result of production factors' re-allocation; though, it is supposed to occur according to theoretical preconditions. The reallocation of capital within and between branches does not occur because the natural monopoly at a territorial-branch level still exists, and there are also the specific forms of the exclusive rent, such as monopoly on location and specialization of manufacture, bankruptcy guarantees (for state enterprises). So, the surplus of capital received as a result of the use of direct foreign investments, is reinvested back abroad. That is one of the causes of essential growth of capital export from countries with

transition economy. In economics literature this phenomenon, despite the unilateral argument of internal reasons, was called «the latent export»<sup>16</sup>.

The market mechanism of the resource allocation encounters impassable barriers of monopolistic production structure connected with traditional accommodation of production forces. That is why re-structurization of branches due to foreign investment stimulation in which many countries with transition economy believed has not received sufficient development.

The factors' mobility is caused in many cases by dynamics of supply and demand. According to this, an identification of entrance barriers on the market of capitals has a big value. Entrance barriers are characterized, first of all, by the size of a starting (initial) capital which varies depending on correlation of supply and demand. So, for example, in Ukraine in the beginning of the privatization period the size of the starting capital was in small business about 1.5-2 thousand dollars, wholesale enterprise – 50 thousand dollars, banking business – 500 thousand dollars; now entrance barriers have essentially increased (approximately by 8–10 times). The increase of entrance barriers is the natural phenomenon of real accumulation. However, in the present situation of relative recession of accumulation rates in capital-saving branches, it serves as a deterrent of effective transfer of production resources.

One of reasons of inadequate allocation of production factors is also slow capital renewal. The inefficient investment policy that took place in the post-socialist countries in the pre-reform period increased the reinvestment cycle and reduced the rate of renewal of fixed capital. As a result, a backlog in the use of innovations and high technologies, and then relatively extra accumulation of major production factors, took place. The need for reorientation of the economy to the new more effective sources of growth has caused a relative surplus of fixed and operating means of enterprises. In conditions of non-market forms of fund circulation, when operations with real estate and material values were considered as economic crimes, the accumulation served as an unproductive factor. Before market transformations, practically in all branches of national economy, industrial stocks that exceeded the needs by ten times have accumulated. The basic economic units were large industrial complexes that provided all their own needs and were burdened by own social structure. Huge payrolls curtailed unemployment. The condition of economy matched the pre-crisis stage of reproduction cycle. The crisis situation was especially felt in branches of military industry when measures for its conversion were taken.

In conditions of market transformations the problem of extra accumulation of production factors was partly solved through privatization of state enterprises. However, in the majority of countries the privatization has predetermined non-economic forms of operations with real estate. The production fac-

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<sup>16</sup> «The latent export» is the size of export of capital as the excess of the net export that was determined using the calculations (a difference between world and contract export and import prices) over the official data on this parameter, taken from balance payments [5, p. 603].

tors were basically transformed in one direction – from public sector to private. After auctioning of enterprises, despite liberalization of economic forms of production factors' transfer, the major cause that restrained the renewal connected with immunity to innovations and absence of sufficient own and borrowed means for their investment was not eliminated.

The solution of economic problem to increase the mobility of production factors is closely connected with rigid link «fixed capital – property – land». According to this, the problem of rational capital allocation remains acute in present uncertain conditions of privatization transformations. The delayed privatization will not be able to solve the old problems. Actually, its logical ending is necessary only for formalization of the procedure of final freezing of the capital. State property unattractive to foreign investors due to its low profitability and impossibility of its transformation into mobile viable organizational economic form cannot find sponsors even among old partners from the Commonwealth. Being not claimed, the state property gradually loses its industrial capacity. Weak hopes for changes will now for certain be replaced by useless complaints about irrevocability of losses.

Undeveloped financial market still plays a determining role in restraint of capital mobility. The weakening link «the fixed capital – the financial capital» interferes with allocation of free money resources and their use for reinvestment into industrial and non-productive spheres.

In conditions of reorientation of advanced countries of the world to the new factors of growth, the big importance has the increasing of qualification of manpower which now does not meet the needs of transition economies.

Hence, the restriction of internal and external mobility of production factors (the control of transfer of capital abroad, restrictions on immigration, etc.) is one of the causes that restrain the development of appropriate markets of transition countries leading to non-market forms of appropriation and accumulation.

## Synergism of Appropriation and Accumulation

Synergism, or «measure of joint effects»<sup>17</sup>, became the most crucial phenomenon of a transition period. Transformation of economy initially pre-termines presence of various forms of synergetic effect. At the same time, the dualism of processes of economic situation gives the basis for scientific hypothesis about presence of polarity in its mechanism. It is expressed, in particular, in development of negative synergetic forms<sup>18</sup> of appropriation and accumulation of capital.

Analytical research and monitoring over the production-economic activities of the enterprises of various patterns of ownership in transition have shown that in the post-privatization period the processes of capital accumulation have not received sufficient development. On the contrary, instead of expected growth of profitability and capitalization of property the drop in efficiency of running the privatized enterprises takes place. The asset return of basic means and turnover of working means decreased. The authorized capital has also reduced. The tendency of share reduction of own means to expand production occurs. We observe the tendency of regressive type of accumulation development. It allows to distinguish one-type link between cause and effect of the mentioned phenomena and verification of their negative forms seen in the opposite from expected effect of capital appropriation and accumulation.

However, as a result of initial appropriation there was no increase of property's profitability for both owners of enterprises and for population. The development of negative synergism of capital appropriation and accumulation is caused by: 1) uncertainty and risk affecting formation of national capital; 2) discrepancy between defective commodity form of the property parties and the market character of reforms; 3) conflict of parties' interests concerning the property appropriation; 4) the character and form of appropriation; 5) devaluation of capital real values; 6) the non-competitive form of enterprises' capital.

Conditions of appropriation. The domestic enterprises adapted to changes on the market, to forms of international competition (production conditions, trade, market capital investments), to political and legal conjuncture and force-majeure circumstances. In general, these conditions can be expressed as conditions of uncertainty (instability and risk).

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<sup>17</sup> According to I. Ansoff, the synergism is the «measure of joint effects» when the summarized (joint) effect is greater than «the sum of the effects from the component parts» [1, p. 123].

<sup>18</sup> I. Ansoff brought into scientific terminology the concept of negative forms of synergism in management [1, p. 128].



Parties of appropriation. Objects of privatization were not goods of full value. Their evaluation was carried out without taking into account their real value on the market. Substitution of such concepts as effectiveness and usefulness had place. Quite often the cost of objects that had been privatized was underestimated and did not correspond the market price. As a result, the laws of cost, supply and demand, were not in force and that reduced value orientations of privatization.

Subject of appropriation. In conditions of privatization, the enterprises' property becomes the object of competition. The basis for the development of competitive relations is the isolation of economic interests and, accordingly, results of appropriation of subject of property management. During appropriation, the isolation of interests of various subjects of enterprises' property management occurs: 1) founders and their plenipotentiaries; 2) shareholders and their boards; 3) hired personnel; 4) the state bodies; 5) financial bodies; 6) public organizations.

Economic interests of subjects of appropriation have varied motivation: appropriation, possession, order and use of capital for proprietors; plenipotentiaries – maintenance of professional management; shareholders – guarantee of individual share in property; hired personnel – efficiency of their work and salary; state bodies – observance of the law, reporting and maintenance of duly received payments in budget; financial bodies – solvency of the enterprise; public organizations – financing of public initiatives.

Character and forms of appropriation. The basic organizational forms of initial appropriation during the privatization process were: 1) the redemption by a staff on the basis of individual share of its members; 2) the rent with subsequent redemption, 3) establishment of a corporation (share trade); 4) sale on auction. Despite of distinctions in organizational forms, the appropriation of the basic means was carried out on the basis of alienation of state ownership and redistribution on principles of individual share among parties of appropriation that have been their legal successors.

The initial appropriation has, mostly, a non-market character; there are no purchase-sale operations. As a result, enterprises did not receive real financial support for restructurization of the fixed capital.

Non-market forms of appropriation are characterized by:

1) incorrect appropriation – distribution of a substantial part of state property (ownership) that has high profitability of fixed capital (decision making about redemption by staff or the share property of favourable objects) prior to the beginning of privatization;

2) «non-commodity» distribution – privatization distribution of «non-commodity» objects with low profitability of fixed capital;

3) «shadow» distribution – participation of shadow structures in purchasing and the subsequent repurchasing of the property;

4) non-competitive capital market – undeveloped forms of competition among a majority of certificate holders; discrepancy of interests of buyers and sellers about the sales of property and certificates;

5) lack of convertability of privatization certificates – absence of real support of currency resources and commodity actives;

6) the non-competitive change of property and management parties – the principal parties of privatization were labor collectives (staff); there was no transition to entrepreneurship as to the form of management. These caused high costs and long change to entrepreneurship;

7) absence of real conversion of capital – «certificates – shares – money – capital».

Devaluation of real values of initial appropriation and subsequent auctioning of the capital. Undeveloped motivation of sellers and buyers has resulted in artificial freezing of the share market as a result of their devaluation as material assets. It is possible to explain this phenomenon using the concept of intuitive expectations. The objective reason for the occurrence of the intuitive expectations is the backwardness of the share market and its substitution by such form of conversion as «privatization certificates – shares – dividends». The intuitive expectations are connected with inertness of shareholders' thinking, their unpreparedness to analyse market financial operations and insufficient information on market prices formation and profitability of shares.

The concept of intuitive expectations is based on two positions: 1) intuitive expectation of potential shareholders; 2) intuitive expectation of real proprietors of enterprises.

The intuitive expectations of potential shareholders relate to specifics of their motivations' formation as participants of stock market operations. Being not interested in sale of shares at a low price, they expect changes in sale and purchase. The effect of the sellers' intuitive expectation according to which potential shareholders expect an increase of the share incomes because of the rise of their prices was shown. Being guided by intuition, the shareholders do not participate in financial operations related to property privatization that reduces efficiency of state policy in the privatization process.

The intuitive expectations of proprietors of enterprises are caused by their disinterest in conversion of the share's certificates as the increase of the company's shareholders will result in growth of dividend payments.

Now the situation with shareholders' motivations did not change a lot as the position on the stock market which continues to remain the same had not changed as well. Therefore, the concept of intuitive expectations can be applied to the present stock market situation with that only difference, that instead of privatization certificates the substitute form of shares appeared. And these shares cannot become high-grade securities.

Thus, the devaluation of appropriation's real values and of subsequent auctioning of the capital is seen in reduction of potential shareholders and the company's owners' interests in auctioning because of impossibility of their transformation into real values (money, materials, equipment, etc.).

Competitiveness of enterprise capital. The competitiveness of ownership patterns is determined by its subjective ability to provide effective appropriation, possession, order and use of enterprise capital within the framework of economic, legal, and social capacities of any form of production organization in current socio-historical conditions. The competitiveness of enterprise capital can be expressed by ratio of usefulness of enterprise capital to the cost of its consumption.

In countries with transition economy the non-competitive form of enterprise capital is caused by its weak mobility and irrational allocation, by non-uniformity of enterprise income's distribution, by low rates of reinvestment and inefficient form of accumulation.

The characteristic of competitiveness of enterprise capital allows to reveal distinctions and interrelations between the pattern of ownership, the form of production organization and the results of business activity. The concentrated expression of such interrelation is the interdependence of accumulation forms and capital's increase. The capital's increase is a regular attribute that helps to define the type of expanded reproduction. The principle of this increase is defined by the fact that during the use of the capital as the production factor, the additional product should be created. The reinvestment of this product ensures the growth of accumulation fund in national income in greater measure than it is necessary for reproduction needs. In practice the capital increase means that the growth of a share of reinvested profit should provide the expanded reproduction on its own basis.

In conditions of development of transition economy the problem of accumulation is caused, first of all, by inefficient forms of initial accumulation. The problem of initial accumulation refers to creation in national economies of such volume of the cumulative capital at the level of basic economic units which would enable the reinvestment of a bigger profit than the production needs. According to the experience of countries with transition conditions, the process of initial accumulation is carried out in unproductive forms (development of enterprises' social base; purchase of real estate, low-profit shares, and growth of «pocket» savings<sup>19</sup> in household sector, i.e. the savings which are not kept in banks, etc.). The amount of reinvested profit does not cover the sum of expenses for restoration and re-induced growth of capital. The ineffi-

<sup>19</sup> According to the author's calculations, «pocket» savings are over UAH 20–22 billion annually (see. Е. И. Смагач «Конкурентное потребление и его роль в общественном воспроизводстве в условиях переходной экономики» (Е. I. Smagach «Competitive consumption and its role in public reproduction in conditions of transition economy») // Вісник Технологічного університету Поділля. – Ч. 3. Економічні науки. – 2001. – № 2. – С. 170).

cient form of capital accumulation is determined by insufficient development of production forces that serves as the basis for a capital-consuming type of expanded reproduction.

### **Regressiveness of internal savings**

The analysis of sources for savings in national economies allows to reveal internal opportunities of the economic system to open borders wider. With such analysis it is necessary to take into account features of accumulation process in a transition period.

For deeper studies of the internal savings' influence on openness of transition economies we shall look at a hypothetical national economy that consists of two sectors: state and market sectors. We shall assume that the state (public) sector comprises traditional branches of economy and its capital intensity is homogeneous, i. e. inside of the sector dominates mainly a capital-intensive type of reproduction that is typical for a transition period. The market sector, on the contrary, functions on the basis of capital accumulation and it is mainly a capital-saving sector. Such division of national economy into two sectors is to a certain extent relative. In transition economies, formation of the market sector is made according to the principle of change of ownership pattern that is not always adequate to the principle of capital-saving. Besides, the market sector includes, as a rule, a significant share of non-production branches where the process of capital re-inducement does not exist. However, the change of capital forms and the allocation of the capitalized income are carried out. It restricts the analysis of the capital internal accumulation and the necessity of its realization in production industries.

Let's consider the basic framework of formation and reallocation of savings in a two-sector economy considering the principle of continuous growth. The necessity to apply the method of continuous accumulation is determined by continuous accumulation. Therefore, this method of mathematical description of accumulation is much more accurate for saving accumulation stage than the method of discrete values.

The public sector includes state enterprises, official bodies and/or budget organizations. To simplify saving fund's formation we shall assume that the public sector is a homogeneous industrial sector.

The amount of pure savings ( $St_1^{ge}$ ) for the state enterprises can be calculated with the help of the saving's elasticity by the national income:

$$St_1^{ge} = q_{ge} \times Y^n \cdot e^{\int_0^n stg \times dt}, \quad (3)$$

where

$q_{ge}$  – share of state enterprises in the net product (national income);

$\eta$  – growth elasticity of state enterprises' gross savings for the net product (national income);

$Y^t$  – amount of the net product (national income) in the previous period;

$s_{gt}$  – norm of savings at the state enterprises in the  $t$  year;

$t$  – number of the years in the period;

$e$  – basis of natural logarithms.

The norm of pure savings of state enterprises can be expressed by taking into account the structure of annual growth:

$$s_{gt} = s_{g0} - (T_{gd} \times i_{Tgd} + Fgw \times i_{Fgw} + d_{ge} \times i_{dge}) \times t, \quad (4)^{20}$$

where

$s_{g0}$  – semi-annual norm of savings in state companies during the previous period;

$T_{gd}$ ,  $Fgw$ ,  $d_{ge}$  – share of the public sector in the net product, correspondingly, of direct taxes, the wage fund, the interest payments for the usage of credit means;

$i_{Tgd}$ ,  $i_{Fgw}$ ,  $i_{dge}$  – growth indexes, correspondingly, of the direct taxes, the wage fund, the interest payments for the usage of credit means in a state sector.

The market sector of the economy includes enterprises of joint-stock and other non-state forms of ownership. We shall set restrictions on the market sector and assume that a great bulk of accumulation is formed at enterprises of a joint-stock type. In real conditions of transition economy functioning, other forms of ownership differ little from the joint-stock type by their accumulation model.

Internal net savings for joint-stock companies ( $St_2^{ae}$ ) can be calculated with the formula:

<sup>20</sup> to calculate forecast value  $s_{gt}$  the linier function  $s_{gt} = s_{g0} + \Delta s \cdot t$  (5) is used, where  $\Delta s$  – annual increase of accumulation norm.  $\Delta s$  is equal to difference between accumulation norms of this ( $s_2$ ) and the previous years ( $s_1$ ):  $\Delta s = s_2 - s_1$  (6).

Net internal accumulations ( $Sge$ ) in the state sector are calculated as the defference of net products of this sector ( $Yge$ ) without direct taxes ( $Tg$ ), salary expences ( $FWg$ ), borrowed capital interests ( $Dge$ ):  $Sge = Yge - Tg - FWg - Dge$  (7), and the norm of net savings – as the difference of elements:  $s = 1 - T_{gd} - Fgw - d_{ge}$  (8).

Taking into account that  $s_1$  is calculated with the help of formula (8), then  $s_2$  is calculated using appropriate indexes of growth (marked\*):  $s_2 = 1 - T_{gd}^* \times i_{Tgd}^* - Fgw \times i_{Fgw}^* - d_{ge} \times i_{dge}^*$ , (9). Then  $\Delta s = s_2 - s_1$  or  $\Delta s = (1 - T_{gd}^* \times i_{Tgd}^* - Fgw \times i_{Fgw}^* - d_{ge} \times i_{dge}^*) - (1 - T_{gd} - Fgw - d_{ge}) = T_{gd} \times (1 - i_{Tgd}^*) + Fgw \times (1 - i_{Fgw}^*) + d_{ge} \times (1 - i_{dge}^*)$  (10). Considering the appropriate growth indexes  $\Delta s$  will be:  $\Delta s = -(T_{gd} \times i_{Tgd} + Fgw \times i_{Fgw} + d_{ge} \times i_{dge})$  (11).

$$St_2^{ae} = q_{ae} \times Y^n \cdot e^{\int_0^n s_{at} \times dt}, \quad (12)$$

where

$q_{ae}$  – share of the non state enterprises in a net product (national income);

$s_{at}$  – norm of savings of joint-stock companies in the year  $t$ .

The norm of savings at the non-state (market) enterprises can be calculated with the help of share structure of annual gain:

$$s_{at} = s_{a0} - (T_{ad} \cdot i_{Tad} + Faw \cdot i_{Faw} + Da \cdot i_{Da} + d_{ae} \cdot i_{dae}) \cdot t, \quad (13)$$

where

$s_{a0}$  – semi-annual norm of savings of joint-stock enterprises in a previous period;

$T_{ad}$ ,  $Faw$ ,  $Da$ ,  $d_{ae}$  – share in the net product of the joint-stock sector, correspondingly, of direct taxes, wages fund, dividend (interest) payments on capital (on individual share), interest payments for use of credit means;

$i_{Tad}$ ,  $i_{Faw}$ ,  $i_{Da}$ ,  $i_{dae}$  – semi-annual growth indexes, correspondingly, of direct taxes, wages fund, dividend (interest) payments on capital (on individual share), interest payments for the use of credit means at enterprises of a joint-stock type.

The increase of net accumulations in housekeeping ( $St_2^{he}$ ) can be calculated using the method of division of aggregate incomes into housekeeping groups:

$$St_2^{he} = \sum_{i=1}^m q_{hi} \times D^{\eta_h} \cdot e^{\int_0^n s_{ht} \times dt}, \quad (14)$$

where

$q_{hi}$  – share of  $i$  housekeeping group in aggregate incomes;

$\eta_h$  – growth elasticity of housekeeping savings for aggregate incomes;

$D^{\eta_h}$  – amount of aggregate housekeeping incomes in a previous period;

$s_{ht}$  – norm of housekeeping savings in the year  $t$ ;

$m$  – number of housekeeping groups.

The norm of housekeeping net savings can be mathematically described by a linear function that considers share structure of annual gain:

$$s_{ht} = s_{h0} + (Fhw \times i_{Fhw} + D_h \times i_{Dh} + Tr \times i_{Tr} + d_h \times i_{dh} - c \times i_c - T_{hd} \times i_{Thd} - d_{he} \times i_{dhe}) \cdot t, \quad (15)$$

where

$s_{h0}$  – semi-annual norm of housekeeping savings in a previous period;

$F_{hw}$ ,  $D_h$ ,  $Tr$ ,  $d_h$  – share in aggregate housekeeping incomes, correspondingly, of wages fund, dividends (property interests), transfer payments and grants, state debt payments to population;

$c$ ,  $T_{hd}$ ,  $d_{he}$  – share in aggregate housekeeping expenses, correspondingly, of service consumption and payment, direct taxes, credit interest payment;

$i_{Fhw}$ ,  $i_{Dh}$ ,  $i_{Tr}$ ,  $i_{dh}$ ,  $i_c$ ,  $i_{Tpd}$ ,  $i_{dhe}$  – semi-annual growth indexes, correspondingly, of wages fund, dividends (property interests), transfer payments and grants, state debt payment to the population, service consumption and payment, direct taxes, housekeeping credit interest payments.

The redistribution of accumulations in conditions of capital's weak mobility is carried out mainly through the state budget in the direction from the market sectors into the state sectors with a help of a «point» allocation principle, i. e. the reinvestment of internal savings for the primary development of branches that determine competitive advantages of national economies. However, this policy has some disadvantages as this increases the unevenness in the development of branches in transition economies that eventually cause disproportional growth.

In conditions of open national economies, the lack of internal savings is compensated by the inflow of external investment resources. In the structure of state expenses of countries with open transition economy, the reduction of state external (foreign) debt has a significant value.

The economic solution to the problem of optimal reallocation of internal savings is connected with cardinal structural transformations within the economy, particularly with demonopolization at the level of territorial-branch property and with formation of essentially new organizational and economic forms of corporate management which would promote the creation of necessary internal preconditions for strengthening capital mobility in order to increase the efficient use of accumulation.

In conditions of free capital mobility, the reallocation of accumulations goes from capital-saving sectors ( $\beta$ -sector) to capital-intensive sector ( $\alpha$ -sector) that has higher need in the capital. The process of redistribution of accumulations is carried out through market institutional sphere, banks, stock exchanges, operations on stock exchanges and the real estate markets, and also through the state budget (grants, transfer payments, etc.)

Finally, gross savings in closed transition economies with high capital mobility reflect equilibrium condition of internal resources of accumulation achieved as a result of reallocation can be expressed with the following balance equation:

$$St = \sum_{i=1}^n (q_{si} \times St_i + St_{ji}^*) + \sum_{j=1}^m (q_{sj} \cdot St_j - St_{ji}^*), \quad (16)$$

where

$q_{si}$  – share of  $i$  branch of  $\alpha$ -sector of the economy in aggregate savings;

$q_{sj}$  – share of  $j$  branch of  $\beta$ -sectors of the economy in aggregate savings;

$St_i$  – sum of internal savings in  $i$  branch of  $\alpha$ -sectors of the economy in the year  $t$ ;

$St_j$  – sum of internal savings in  $j$  branch of  $\beta$ -sectors of the economy in the year  $t$ ;

$St_{ji}^*$  – sum of internal savings of  $j$  branch of  $\beta$ -sectors of the economy that was invested into  $i$  branch of  $\beta$ -sector in the year  $t$ ;

$St_{ji}^*$  – sum of internal savings of  $i$  branch of  $\alpha$ -sectors of the economy that was taken from  $j$  branch of  $\alpha$ -sectors of the economy in one year  $t$ ;

$n$  – number of branches of  $\alpha$ -sectors of the economy;

$m$  – number of branches of  $\beta$ -sectors of the economy.

The analysis of formation and use of accumulations allows to determine their influence on openness of transition economies. The majority of closed countries are characterized by a regressive type of accumulations when internal accumulations increase slower than accumulation needs of national economies for the extended reproduction. The formation of regressive type of reproduction is connected with the decrease of accumulation's efficiency because of the following reasons: first, the backlog of growth rates of internal accumulations in the market sector in comparison to total needs in accumulation on the national economical level; second, the differentiation of personal incomes of the main groups of population that decreases the possibilities to accelerate saving's accumulation; third, disproportion of relationship between the state and market sectors of the economy; forth, significant differences in the increment parameters of capital productivity ratio of the two sectors; fifth, growing backlog of branches with low accumulation efficiency caused by costs of the «point» allocation policy.

Modern tendencies in the development of accumulation process in countries with transition economies testify that a high norm of savings does not always assume their obligatory usage for the needs of productive accumulation, i.e. the growth of savings does not necessary mean that they will become investments.



Despite complicated interrelations between savings and real accumulation, the analysis of reasons of low efficiency of internal savings is necessary for the appropriate identification of conditions to expand openness of transition economies. In general, the need for «opening» of national economy arises when there is a shortage of internal savings. As the regressive type of savings is shown as a general tendency of a transition economy, the lack of their own investment resources becomes natural for these countries.

The condition of openness for a national transition economy, taking into account the features of formation of accumulation funds in various sectors, can be expressed in general with the following equation:

$$\bar{O} = (It_1 + It_2) - (St_1 + St_2), \quad (17)$$

where

$It_1, It_2$  – general need for investment resources in the state and non-state (market) sectors of the economy;

$St_1, St_2$  – total savings in the state and non-state (market) sectors of the economy.

If the possibilities of the economy in savings exceed its needs for investments ( $\bar{O} > 0$ ), the open type of economy with an inductive flow of free investment resources is formed. If, on the other hand, the needs of the economy are greater than the country's possibilities in accumulation ( $\bar{O} < 0$ ), the conditions for development of an import intensive type of openness are created. In conditions of equality of accumulation and saving norms ( $\bar{O} = 0$ ), the economy of a neutral type functions.

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The research of internal sources for countries with transition economy to enter the world market allows to make a number of generalizations and conclusions. The openness, or valency of national economy, reflects its ability as a structural element (unit) of the world economy to form external connections. The specific feature in the process of openness of transition economies is caused by transition to complex forms of their system relationship that is formed on the basis of economic space of the post-socialist countries.

The geographical and economic potential is the major parameter that determines the internal demand of a national economy: the higher is its level, the more difficult is the process of openness. Small countries with low geographical and economic potential are guided by the world market that brings about an open import-export type of their national economy. In transition economies with high self-sufficiency their demand for external resources is lower, that causes the search for integrated forms of international cooperation with equal rights and for relations of social partnership.

The process of formation of openness is a complicated form of heterogenesis that is shown as interaction of two opposite tendencies - a tendency to separation of a national economy and tendency to save the integrity of the world economic environment.

The national autarky of transition economies is caused by the evolutionary stage of so called system «division» of post-socialist countries as a result of development of isolation of market forms of managing business. The growing tendency to develop the mostly closed types of transition economies is caused by: 1) foreign debts; 2) natural monopoly; 3) threat to lose their independence; 4) negative synergy of re-orientation to the needs of the world market; 5) outflow of national capital as a result of polarization of the world economic system.

The openness of national economies is caused by the necessity to attract external resources in order to maintain conditions for expanded reproduction, and is also caused by the needs to use the advantages of international division of labor.

The growing tendency to expand foreign economic relations is caused by: 1) the limits of internal resources for accumulation; 2) structural disproportions; 3) negative synergy of appropriation and accumulation of capital; 4) dis-synchronized reproduction flows of  $\alpha$ -capital and  $\beta$ -capital. When the needs in investments are greater than the possibilities of accumulation, conditions for import-intensive type of open transition economy are created.

The solution of dialectic contradiction between open national economies and the world economic environment can be found in many different ways:

1) the use of protectionist measures in order to maintain the transition economies closed in countries where old managerial forms dominate;

2) movement of territorial borders in order to create within the integrity new subcountries with a most favoured entrepreneurship in countries with non-uniform regional development of market processes where the system of state regulation is extremely «strict». This system is not appropriate for the life cycle stages of the market forms of management and restrains the processes of internal capital accumulation; temporary closing of the economy until the sufficient level of cumulative capital for realization of expanded reproduction on its own basis is achieved;

3) growing independence of countries with high degree of market transformation; formation of territorial clusters that develops the market form of managing with preservation of territorial independence; more open relations with developed market countries;

4) mergence of separate countries with high level of market transformation and developed market economies that have common history, traditions, national and cultural heritage; expansion of openness within the economy where market forms of management dominate;

5) creation of clusters on the principle of self-survival in countries that are close in their national and territorial location and on the integrity of market forms of management; opening of economies in direction of intensification of specialization in mono-cultures and expansion of the market for primary export goods; strategic alliances with countries–importers; development of industrial base formed by allocation of productive forces;

6) openness of economies in small countries with low geographical and economic potential that are mostly oriented at the inflow of external resources;

7) moderate openness of big countries with a significant share of unused geographical and economic potential that give preferences in order to stimulate labour inflow to unreclaimed areas.

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