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# Internationalisation of economy versus economic policy under integration and globalisation

**Abstract.** The article presents a set of recommendations for the economic policy. These recommendations take into account three most important circumstances under which the Polish economy will be functioning in the next few years: completion of the systemic transformation, membership in the EU and globalization.

The author argues that economic success measured by the growth of welfare will be a resultant of the impact of three interrelated categories: competitiveness – internationalisation – effectiveness. The recommendations for the economic policy are presented in two groups: positive recommendations – which activities should belong to the scope of the economic policy; negative recommendations – which activities the economic policy should not deal with.

**Keywords:** economic policy, competitiveness, internationalization, globalization, integration.

**JEL Codes:** F13, F15, L52.

## 1. Introduction

The aim of the article is to present guidelines for the economic policy taking into account three most significant conditions on which the prospects of the Polish economy depend. These conditions are as follows:

- completion of the transformation – the significance of this condition will diminish in the course of time,
- integration with the European Union – this condition is particularly meaningful due to the fact that the relations between the Polish economy and the EU are of great significance,
- globalisation – this factor will decide about Poland's position in the world economy; it creates many opportunities and threats for the economy of an emerging country such as Poland.

The main thesis of the paper can be formulated in the following way:

A long-term success of the Polish economy, reflected in a significant growth of welfare, depends on the combination of many factors, out of which three determinants in the form of catchwords seem to be crucial. These are: competitiveness – internationalisation – effectiveness.

## **2. Triptych: competitiveness – internationalisation – effectiveness**

A still unfinished period of transformation of the Polish economy, convergent in time with more and more intensive attempts to enter the EU as well as with a rapid process of globalisation, poses many dilemmas for the economic policy of the country whose market economy is considered not yet to be fully developed. The above-mentioned challenges acquire even more significance due to a considerable slowdown of the economic growth. The main problems include the rate, equilibrium and permanent character of the economic growth, potentially full utilisation of the productive capacities of the economy (including labour force), inflation, state of public finances, external balance, and the like. A common denominator combining the above-mentioned problems is ensuring the long-term competitiveness of the economy, as only the competitive economy can effectively participate in the international division of labour, i.e. become internationalised. Internationalisation seems to be one of the main conditions to achieve better economic effectiveness which, in turn, is the sine qua non condition to raise the level of welfare. Therefore, it seems justified to suggest the following triptych of dependencies: competitiveness – internationalisation – effectiveness of the economy. As it is shown by the experience of the majority of developed countries, one of the best recipes to achieve the welfare state is to open the economy in order to ensure its strong and multilateral ties with the world economy, in other words - to integrate a given economy with the world economy. Foreign trade and foreign direct investments constitute the two main aspects of this integration. One can also assume that foreign trade and foreign direct investments are the two most significant symptoms of internationalisation of the economy, understood as a development of economic ties with foreign countries. In order to clarify the problem of definitions it can be assumed that active internationalisation is exports of goods and services as well as export of capital (in the form of foreign direct investments flowing out of the country), whereas passive internationalisation means imports of goods and services to a given country and inflow of foreign direct investments to this country. Both sides of the process of internationalisation are important, however, as regards relatively underdeveloped countries which require modernisation, an asymmetry can frequently be observed:

in medium term, or even in a long-term period, imports exceed exports and the inflow of foreign direct investments is larger than their outflow.

There are many concepts of an economic policy which would favour high competitiveness of the national economy. Recommendations resulting from those concepts are frequently mutually exclusive.

The recommendations for the economic policy presented in this paper are formulated in a selective way. The author restricts himself to the presentation of those areas and problems which – in his opinion – are relevant to the economic policy and its implementation. The author deliberately resigns from outlining those areas and questions in which the economic policy should not interfere.

### **3. Models of economic policy oriented towards higher competitiveness**

An indispensable element of the economic policy of each state is a uniform, traditional macroeconomic policy including such main kinds of policies as: fiscal policy, monetary policy, price policy, income policy, employment policy, and the like [Karpiński (1992, pp. 90-93)]<sup>1</sup>. This paper does not intend to give a set of instructions for this policy. However, it seems justified to consider the problem whether economic policy of the state should be restricted to the traditional macroeconomic policy or whether it should also include elements and tools which are usually outside its interests. Both theoretical arguments [Hirst, Zeitlin (1989, pp. 1-15), Timlinson (1989, pp. 248-252)] and, above all, economic practice of most countries indicate that it is justified to supplement traditional measures of the economic policy (budget, taxes, monetary policy, exchange rate policy, and the like) with other instruments whose common aim is most frequently to raise the competitiveness of a given economy. The argument of international competitiveness is often raised also as regards the Polish economy. In the Polish enterprises one can observe a competitive gap [Gorynia (2002)]. At the microeconomic level this gap translates itself into certain threats of macroeconomic character. The process of integration of the transformed Polish economy with its international environment has led to some threats for its stability and for the opportunities of further growth:

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<sup>1</sup> A. Karpiński treats the following types of policies as traditional macroeconomic policies: fiscal, monetary, customs, price, income, employment, social, regional and investment policy. Among modern macroeconomic policies he lists the following ones: scientific-technological and innovative, structural adjustments, restructuring and ecological. The same author classifies the following policies as branch economic policies: industrial policy (with its variations such as energy, raw materials), agricultural, transport and trade policy.

- export capacities of the economy are not satisfactory as regards maintaining the equilibrium of the trade balance; despite progressive modernisation of the economy those capacities do not grow fast enough,
- demand for imports in itself is not very high; it is significant that the rate of growth of imports was very high and the volume of imports was not adjusted to the financial capabilities of the economy;
- maladjustment between the value of exports and imports has led to a considerable deficit in the trade balance,
- deficit in the trade balance was financed mainly with the means from the inflow of foreign direct investments, however, it is rather impossible to maintain this situation in the long run due to a threat of a financial crisis [Gorynia (2000)]<sup>2</sup>.

In the context of what has been said so far a question arises: what measures of the economic policy should be applied in order to counteract the negative aspects of Poland's integration with the world economy and, in particular, to ensure such a level of its competitiveness which would make further integration of the Polish economy with its international environment possible.

Two general concepts of the economic policy can be distinguished. They supplement a traditional economic policy and their aim is to increase economic competitiveness:

- the concept of increasing competitiveness of the Polish exports on the foreign markets (enclave model),
- the concept of increasing competitiveness of the economy as a whole (integral model).

In our opinion there are numerous arguments against the use of the enclave model.

The integral model highlights the increase of the competitiveness of the whole economy and not only its export sector. The current reality of Poland and her external environment shows that the main strategic problem is to develop the competitive production of goods and services to be sold both on the home market and on the foreign markets [Płowiec (1997)].

Therefore, one can formulate two general recommendations for the economic policy [Gorynia (1996), (1998)]:

- economic policy should support the development of competitiveness of enterprises,
- economic policy should treat its support for the development of competitiveness in an integral way, i.e. it should not make any unjustified differentiation of the instruments supporting competitiveness on two levels – competitiveness of exporters on foreign markets and competitiveness of manufacturers on the open home market.

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<sup>2</sup> The above-mentioned threats are related to insufficient competitiveness of the Polish economy. See: Jakóbiak (2001).

The above-mentioned criteria are fulfilled by a concept of the liberal-institutional industrial policy<sup>3</sup>. The liberal-institutional industrial policy in its essence promotes a widely understood growth and entrepreneurship. This policy applies mainly the instruments of universal character. Although those instruments exceed the areas which are the subject of interest of a traditional macroeconomic policy, their common feature is undifferentiated, uniform character. The whole economy, its all sectors, branches, sections and similar mezosystems are treated virtually in the same way.

Four main directions can be differentiated within the liberal-institutional industrial policy:

- growth supporting policy,
- competition supporting policy,
- privatisation policy,
- economic self-government policy.

For example, within the framework of the growth supporting policy, the following groups of activities deserve special attention:

- supporting investments,
- supporting innovations, research and development,
- supporting education and training,
- distribution of economic risk,
- supporting the construction of information systems and promoting information diffusion.

The Polish foreign trade policy, which is a component of the liberal-institutional industrial policy, should take the following directions [Płowiec (1997)]:

- elimination of barriers for the development of exports: barriers related to product quality, barriers related to the terms of payment for exports (export credits, insurance of export transactions), barriers of infrastructural character,
- development of non-tariff forms of protecting the manufacturers against dishonest competition or excessive imports.

The economic policy should also concentrate on the creation of economic climate which would attract foreign investors. Foreign direct investments should prove particularly useful in<sup>4</sup>:

- development of managerial staff and operational personnel,
- raising the professional level of management,
- transfer of production technologies, marketing and management technologies,
- introduction of eco-friendly, energy-saving and material-saving technologies,

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<sup>3</sup> This idea was discussed in detail in the paper: Gorynia (1995).

<sup>4</sup> It should be indicated that the expectations are not always sufficiently fulfilled. Kotowicz-Jawor (2001) pays attention to the threats connected with the existing branch structure of foreign investments in Poland, and in particular with the so-called process of servicisation.

- further privatisation of the economy,
- in the long-run foreign direct investments should contribute to the improvement of the trade balance<sup>5</sup>.

Here we should quote the opinion of M.E. Porter (also shared by the author of this paper) concerning the role of the economic policy in building up and maintaining the national competitive advantage [Porter (1990)]. There are four basic determinants of the international competitiveness of a branch:

- factor conditions,
- demand conditions,
- related and supporting branches,
- corporate strategy and structure, level of competition.

Porter refuses to acknowledge the role of the fifth determinant in the economic policy. The government influences the national competitive advantage indirectly through its impact on the four above-mentioned factors. The government has an influence on the determinants and the determinants influence the government's activities. The government plays an important role in the development of advantage but this is a partial role as other factors are of greater significance. The repertoire of the government's influence on particular determinants analysed by Porter is very wide and instructive [Porter (1990)]. The impact of the government on factor conditions concerns such fields as: education and training, science and technology, infrastructure, capital, information and direct subsidies. The impact of the government on demand conditions concerns such areas as: government purchases, regulation of products and processes, influence on the structure of branches-buyers, stimulation of early and sophisticated demand, information for the purchaser, technological standards as well as assistance for foreign countries and political connections. The influence on the related and supporting branches includes conducting a proper mass media policy, influence on the formation of branch bundles – centres. The influence on corporate strategy, structure and competition refers to promoting internationalisation, stimulating the selection of appropriate individual and company objectives, promoting internal competition, stimulating new entries, implementing a proper trade policy and influencing foreign investments.

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<sup>5</sup> In the related literature it is underlined that a limited export propensity of firms with foreign capital located in Poland can result from the fact that (due to a large domestic market) their sales strategy is oriented towards the Polish market. U. Kopeć writes on this subject: “In the case of Poland the motive of a large domestic market dominated whereas a considerably lesser absorption of the Hungarian and Czech markets determined the possibilities of export activity in the strategy of foreign investors” See: Kopeć (2000, p.189).

## 4. Economic policy versus integration

In the context of the above-mentioned remarks a question arises: how the fact that Poland participates simultaneously in two important economic processes – integration with the EU on the one hand, and on the other hand attempts to join the system of the world economy through its growing involvement in international trade and foreign direct investments flows – can influence the economic policy applied. An additional factor which must be considered here is transformation. One should at least partially agree with K. Ohmae's thesis that the sovereignty of the nation state is subject to erosion which is also reflected in the limited freedom as regards economic policy [Ohmae (1995)]<sup>6</sup>. Poland's membership in such organisations as WTO, OECD, CEFTA, membership in the International Monetary Fund, the future membership in the EU – all those circumstances mean a deliberate and voluntary resignation from some prerogatives traditionally attributed to the nation state. This resignation, however, is subordinate to the objective which is raising the level of social welfare – no other better way to attain this objective has been invented yet in the world than participation of a given economy in the world economy and a wide integration with it.

Therefore, the Polish economic policy must take into account the conditions resulting from integration with the European Union and from globalisation. It seems that in the short and medium-term period priority will be given to the question of membership in the EU and in the long-term period globalisation-related problems will become most important.

Membership in the European Union means the necessity to adjust the Polish economic policy to the Union's standards. The EU policy includes many areas. Z. Wysokińska and J. Witkowska mention and provide a competent analysis of the following areas: trade policy, agricultural policy, energy policy, policy supporting research and technological progress, competition policy, environment protection policy, consumer protection policy, transport policy, regional policy, social policy, policy towards small and medium-size enterprises [Wysokińska, Witkowska (1999)]<sup>7</sup>. Solutions which are significant for the competitiveness of the EU economies can be found virtually in each of those areas. It should be underlined that the "degree of competitiveness" of regulations approved in the EU differs according to sectors. Thus, a uniform pattern of supporting competitiveness in all the sectors existing within the Union is out of the question. Agriculture is an example of the sector where competitiveness, i.e. effectiveness aspects play a small role. It is difficult to say whether another solution can be applied but for Poland following the Union's pattern of competi-

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<sup>6</sup> Limitations connected with the co-occurrence of transformation and globalisation are pointed out by Kołodko (1999, pp. 309-310).

<sup>7</sup> The aspect of competitiveness is also extremely important as regards regions and regional policy. See: Domański (1999).

tiveness support in agriculture is risky in the long run. Will the Union's agricultural market be separated from its international environment in the long period of time? If not, restructuring the Polish agriculture according to the Union's pattern is irrational in the long run – the potential integration of this sector with the international market will require further intensive adjustment in the long period of time.

In non-agricultural sectors the Union's policy of competitiveness support aims at achieving high competitiveness by promoting competition. This was presented in a synthetic way in the European Union Treaty (which reformed the treaties establishing the Communities) in the form of an entry about creating the conditions necessary to ensure competitiveness of the common industry, both by the European Community and its member countries. In order to achieve this, some activities convergent with the open markets' system are to be undertaken. Those activities should take into account [Consolidated Version of the Treaty Establishing the European Community, article 157]:

- accelerating adaptation to changes in industry,
- creating conditions for the initiatives and development of enterprises, particularly small and medium size firms,
- creating a favourable climate for the co-operation between enterprises,
- stimulating a better use of the industrial potential in the innovative, research and technological policy.

The "Communique on the policy of competitiveness in industry for the European Union", presented by the European Commission to the EU Council in September 1994, was significant for determining the Union's policy of supporting competitiveness. This document concentrates on four issues (Consolidated Version of the Treaty Establishing the European Community):

- promotion of intangible investments, i.e. investments in R&D, intellectual property, education and training,
- development of industrial co-operation (above all identification and elimination of barriers hindering co-operation both within the Union and with foreign partners),
- protection of honest competition both internal and external (in particular restricting the role of the state, better concentration on the horizontal support rather than the sector one),
- change in the role of public administration (simplifying legislation and administrative procedures, particularly for SMEs, proper use of structural funds earmarked for the support of competitive sectors of industry with regard to the situation in particular regions).

The basic principles of the EU approach to competitiveness support by the economic policy, outlined briefly, can result in two remarks:

- the concept of liberal-institutional industrial policy mentioned earlier is convergent with those principles,

- the principles presented are simply guidelines which leave the national institutions much freedom in working out detailed solutions of the economic policy.

However, attention must be paid to the fact that the Union's official opinions and reports are not always shared by the researchers. Opinions of a group of academics from the EU countries as regards its industrial policy [Cowling (1999)] will be presented below. Their approach can be summarised in a few points:

- in the 1980s the industrial policy in Europe was dominated by privatisation and deregulation; there were no discussions on a positive industrial policy,
- in the 1990s the discussion was resumed by the publication of Competitiveness White Papers,
- in 1990s the new industrial policy, i.e. the policy of competitiveness, assumed reorientation – abandoning sector undertakings (sector privileges) due to the problems with picking winners for horizontal industrial policies,
- analysis of the policies actually conducted indicates that sector policies are not completely abandoned and the horizontal policies declared turn out to be sector policies in major part,
- in practice the implementation of horizontal policies must include sector elements – sector instruments are mixed with the horizontal ones,
- one can observe a tendency towards increased significance of ad hoc interventions addressed to individual enterprises,
- despite declarations about abandoning the policy of picking winners, many sectors in the EU countries remain under a surprisingly strong impact of “national champions”.

However, the authors of the quoted paper are not in favour of the necessity to come back to the policy of picking winners by bureaucrats according to the new improved methods. Their postulates take a completely unexpected direction. In their opinion the fact that the state does not carry out a sector-oriented intervention (as it is not competent to do so) is also a kind of intervention. There emerges a free untouched field where transnational corporations can enter – the selection of branches does not take place at the level of the state (as is the case of sector policies) but at the level of corporate management. Elite boards of corporations – plan the directions of expansion: in the heart of the economy, called the market economy, important decisions assume the character of long-term plans constituting a transnational corporate strategy. Decision-making in corporations is not democratic – it frequently leads to options which are not beneficial for the society due to strategic failures which can occur in them. Implementation of another way of selecting branches or types of activity should be a remedy for the previously mentioned shortcomings. The choice should be made in the process of democratic selection – identification and acceptance of sectors to be developed should be made by the largest possible groups of people with an aim to serve them in the best possible way. The responsibility of decision-making, to be exact the assessment of the sugges-

tions made by corporations, should be passed on to local communities. According to the authors of this proposal, two initiatives of the European Union are convergent with their way of thinking: Regional Innovation and Technology Transfer Programme and Regional Innovation and Strategy Programme. Both programmes are oriented towards encouraging growth and raising the standard of living in underdeveloped regions of Europe through stimulating the transfer of technologies and innovation activity.

## 5. Economic policy versus globalisation

As regards consequences resulting from globalisation for the Polish economic policy, one can quote (after J. Dunning) the most important dilemmas connected with the role of the nation state in the face of globalisation [Dunning (1999)]:

- what is the influence exerted by a greater and greater structural interdependence of particular elements of the world economy on the possibility to carry out traditional regulatory activities by the nation states?
- how does the growing mobility of intangible, immaterial resources created by man (such as knowledge and information) influence the possibilities of nation states as regards regulation of those processes?
- what can and what should the national governments do in order to ensure appropriate quality of the resources linked with the place of their jurisdiction, so that it is possible to attract and retain in a given country the resources belonging to transnational corporations which, in turn, is a prerequisite to attain economic and social objectives of a given country?
- which kinds of policy require reassessment so that they could serve as competitive tools to attract mobile resources of transnational corporations to a given country?
- do liberalisation and globalisation weaken or change the role of a nation state?
- what tasks performed well by the state before globalisation are solved better by the markets?
- to what extent is it justified to perceive the role of the state in terms of supplementing the market rather than in terms of its substitute?
- do the transborder networks of economic activity require a more systemic and transnational approach to regulation?
- how do globalisation forces change the optimum size of a national government?

According to Dunning, traditional ways of perceiving the role of state in the economy should be thoroughly reassessed due to the processes of globalisation. This concerns four aspects of this role [Dunning (1999, p. 3)]:

- differentiation between a systemic and an operational role of the state in the economy,
- factors specific for a given country and influencing the role of the state in the economy,
- ways of the governments' responses to globalisation,
- appropriate territorial jurisdiction of the governments.

In a traditional approach this role is reduced to the opposition between a systemic role and an operational role. The above-mentioned author puts forwards a thesis that globalisation forces the growth of the systemic role, its far reaching re-assessment and decline in the significance of the operational functions of the state. Traditionally, the systemic role of the state was reduced to creating the conditions for economic activity, so that non-market costs of co-ordination and transaction costs of economic activity could be minimised. When the economic activity becomes more complex, specialised and interdependent, when the markets become uncertain or remain under the influence of external effects, asymmetry of information and opportunism – the state has additional institutional and supervisory responsibility. The economy where a significant role is played by information and innovation requires (by definition) a wide share of non-market factors for its smooth functioning, which is connected with the necessity to ensure respect for the law and order, ownership rights, execution of contracts and solution of conflicts. Dunning puts forward a thesis that globalisation causes far reaching changes in the systemic role of the state. This is connected with the necessity to work out rights and regulations on the international scale (e.g. intellectual property rights), ensuring that institutional standards and systems of regulation in a given country do not put the firms and citizens of that country in a worse situation than that in other countries (e.g. regulations concerning the protection of environment, competition policy, taxation systems etc.), lifting of barriers in international trade, fight with discriminating procurement policies, technical standards, problems on the borders, and the like. Dunning is of the opinion that the systemic role of the state must be subjected to the process of continuous creative destruction.

The postulate of creative destruction is valid also, or even the more so, in relation to the operative role of the state. If the systemic functions are an inherent role of the state, its direct involvement in the functioning of an economic system (operational function) should depend on the difference between the costs of this activity and the costs of other institutional solutions. The situation in this field is subject to constant evolution – there are cases when state interventionism, due to very high transaction costs of pure market regulation is justified. This happens when we deal with idiosyncratic (specific) investments or when some capital goods assume the features of public goods and require incurring immense fixed costs. Examples of this are projects of infrastructural character with great external effects which lead to a considerable divergence of private and social advantages.

According to Dunning the operational intervention of the government (of discriminating nature) in the functioning of the markets may be justified only when international markets' distortions are bigger than those of the home markets – when economic entities from a given country have to deal with the foreign risk of non-trade character, asymmetry of information and opportunism. These imperfections of the market most frequently concern small and medium size enterprises. If this happens, the government can provide information on the foreign markets, insure firms against a political risk and negotiate lifting or reducing trade and investment barriers with foreign governments.

Worth mentioning is the opinion of Dunning and co-authors that there is no one, best recipe for how the particular governments should respond to globalisation. This depends on numerous specific conditions: the institutional and economic infrastructure and also the social and cultural structure of particular countries.

One of basic approaches of each national administration to the question of globalisation is the governmental policy as regards foreign direct investments. Dunning and co-authors express a very important, for some people controversial, view: globalisation is responsible for the fact that activities taken up by national administrations should be independent of the owner of the firms subject to their jurisdiction.

As regards the spatial aspect of the changing involvement of the state related to the processes of globalisation, it is possible to differentiate three levels of spatial regulation: micro-regional or sub-national, national and macro-regional or transnational. According to Dunning and co-authors, globalisation influences the relative significance of those levels in such a way that the role of the first and the third level shows a growing tendency and the role of the national level declines; however, of primary importance here are qualitative factors (the change in the function of the nation state) and not the proportions of the state's involvement at particular levels which are hard to measure.

It seems that as regards the policy of supporting competitiveness of the economy, the concept put forward by Dunning and co-workers is a modern, progressive concept which can be also applied in Poland. The innovative character of this concept consists in a different distribution of accents than that in other approaches. It has numerous links with the achievements of the new institutional economy, neo-institutional economy, Schumpeterian economy, evolutionary economy and the economy basing upon resources, particularly upon knowledge. This concept approaches the question of competitiveness in a holistic way (systemic competitiveness) and at the same time makes notice of and develops the aspect of competitiveness (neglected in other approaches) connected with transaction costs which should be reduced if institutions function properly (institutional competitiveness)<sup>8</sup>. Global capitalism in which Poland participates to a wider and wider extent requires

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<sup>8</sup> The Interdependence between entrepreneurship and the institutional structure of markets is underlined by Noga (2001).

attaching more importance to human assets, knowledge and creativity. The sector of services and infrastructure plays an extremely significant role there<sup>9</sup>. Under such conditions the promotion of international competitiveness of the state should take the following directions:

- ensuring adequate quantity and quality of resources (resource creator and improver) – high quality of human capital (among others education), high propensity to innovation, efficient financial market, and the like,
- favouring the lowering of transaction costs – a good legal system (execution of contracts), proper infrastructure, liquidation of the asymmetry of information, restriction of risk (insurance systems), counteracting discrimination of entities from a given country, concluding international economic agreements, and the like<sup>10</sup>,
- creating a favourable climate for investments and influencing the economic ethos.

Interesting views concerning the role of the state in creating the competitiveness of a nation can be found in the concept of creating the welfare state [Kotler, Jutusripitak, Maesincee (1997)]. This concept assumes that a nation can be treated in the same way as an enterprise and, therefore, it is assumed that it can take advantage of strategic market management. The procedure of working out a strategy to achieve welfare refers to the accomplishments of strategic corporate management. Firstly, the strategic lever of a nation should be determined – evaluation of the current competitive environment of the nation and determination of objectives on the basis of the features of this environment. The strategic lever of the nation must be further translated into pragmatic, concrete guidelines which help to determine the spheres of the public policy whose aim is to improve competitiveness (both micro-competitiveness and macro-competitiveness). In order to strengthen its competitiveness, a country must use two types of a public policy. Firstly, this is the basic policy concerning investments, strategy of the development of industry and trade. If the basic policy is to be effective it should carry out some defined types of the support policy. Secondly, the country should carry out the support policy which will include macroeconomic policy, development of national infrastructure and development of institutional frameworks. The last stage is strategic implementation of the worked out concepts. Evaluating the above-mentioned concept it should be noted that its innovative character concerns mainly terminology whereas the contents are similar to Dunning and his co-workers' approach.

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<sup>9</sup> Compare: Dołęgowski (2000).

<sup>10</sup> Social capital, responsible for generating social confidence can contribute to the reduction of transaction costs. See: Matysiak (1999).

## 6. Conclusion

The selection of the model of policy to influence competitiveness of the Polish economy will be of key importance for the improvement of welfare as only higher competitiveness can lead to higher effectiveness which means the growth of welfare. Competitiveness should be raised by means of the possibilities provided by internationalisation. Therefore, intensification of internationalisation processes seems indispensable and unquestionable. Under integration and globalisation internationalisation multiplies opportunities and threats as well. The economic policy should favour taking advantage of the former and avoiding the latter.

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