

University of Economics in Katowice

Volume 7

2011

*Journal of*

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**Economics &  
Management**

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**SYSTEMIC AND INSTITUTIONAL  
COMPETITIVENESS  
OF ECONOMIC SYSTEM**

## Introduction

The processes of competitiveness are the indispensable attribute of the modern market economy. Competition is associated with every dimension of business activities. Nowadays households, companies, sectors, national economies, international corporations and unions of states – all these compete against each other and competition affects all the aspects of activities where these entities are involved.

The term of international competitiveness of national economies is a relatively new economic category, therefore it induces a number of controversies and disputes in the reference literature of the topic. The main aim of this study is to define such economic categories as international competitiveness of economy as well as systemic and institutional competitiveness with further presentation of mutual relationships between these economic categories. It seems that explanation of such interrelationships may contribute to better understanding and structuring of issues related to competitiveness of economic systems.

### 1. Origin, definitions and classification of terminology related to international competitiveness

In spite of the fact that the etymology of the word *competition* is associated with a Latin word *competere*, which means *to seek together* or *to come together*<sup>1</sup> and refers to common efforts undertaken with the same aim, nowadays competition is understood as '(...) striving consciously or unconsciously for an objective (as position, profit, or a prize), frequently with no rules and limits'<sup>2</sup>. The term of competitiveness was traditionally associated with the microeconomic area (the existing literature references related to competitiveness of enterprises is really abundant and the methodological background for studies on that term no longer evoke doubts). On the other hand, the way how the competitiveness is understood on the macroeconomic level (competitiveness of national economies) has been varying in time and it is infeasible to distinguish a single understanding of it or the way how it is defined.

From the point of evolution and history of the term, its development was shaped in the following way: initially some authors tended to identify the inter-

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<sup>1</sup> *Podręczny słownik wyrazów obcych*. Red. W. Kopaliński. Wiedza Powszechna, Warszawa 1996.

<sup>2</sup> *Granice konkurencji. Grupa Lizbońska*. Poltext, Warszawa 1996, p. 5.

national competitiveness of national economies with the comparative advantage in the international trade<sup>3</sup>, the subsequent step in evolution of the *competitiveness* term was the concept formulated by M. Porter, who identified the term of competitiveness with the productivity (performance) on the level of branches and sectors. According to his theory such factors of competitiveness as currency exchange rates, interest rates, budget deficit and availability of production means, economic policy or management style are the matters of secondary importance. According to M. Porter, the international competitiveness between the nations depended on the capability of the industry to innovate and to raise the production level. He also emphasized that no country can be competitive in all sectors and the way to correctly understood competitiveness demonstrated by a single country is to gain the competitive advantage within the frameworks of specific branches, areas, segments or sectors<sup>4</sup>.

But nowadays the competitiveness of economies is considered in a much wider manner. It is believed that it is a context-independent term that not only refers to issues associated with competitiveness of companies or industry sectors. The most recent literature sources present the viewpoint that competitiveness of the whole economy is not a simple superposition of competitiveness capabilities demonstrated by individual companies of economic sectors, but it is a much wider term, really sophisticated and conditioned by many different factors (including political, cultural, social or religious ones). The term of competitiveness, being understood in such a wide manner, still has no single definition that would be accepted by majority of researchers. The most popular and the most frequently cited definitions of international competitiveness, widely spread in the associated literature of the subject include the ones that were developed by OECD, IMD, World Economic Forum, Irish National Council of Competence, European Commission or the Bureau of Analysis of the New York Stock Exchange.

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<sup>3</sup> The concept of international competitiveness between economies was understood in the narrow manner by e.g. M. Casson, who claimed that competitiveness of the national economy can be expressed as a surplus of export over import, i.e. the positive balance of international trade. Nevertheless, for the long-time period, the key factor of competitiveness is perceived as results of international trade in those sectors of economy, where innovativeness is the matter or crucial importance. However, M. Casson deems that such measures of competitiveness that base on results of international trade may be misleading as there are companies that expand their businesses onto foreign markets e.g. by means of foreign direct investments, instead of exporting the goods manufactured in the country. T. Dołęgowski: *Konkurencyjność instytucjonalna i systemowa w warunkach gospodarki globalnej*. SGH, Warszawa 2002, p. 17.

<sup>4</sup> M. Porter: *The Competitive Advantage of Nations*. The Free Press, New York 1990, p. 192.

The common feature for all definitions of competitiveness is the fact that the authors focus their attention on assessment of economic results. That assessment is made on the basis of international comparisons between countries. The analysis of the aforementioned definitions one can state that the national economy can be considered as competitive in the international dimension, when it is capable to achieve relatively fast long-time growth under conditions of free trade and unrestricted flow of production factors. The international competitiveness of economies, being understood in the above manner, contains both assessment of the competitive position demonstrated by a certain country as well as the assessment of the competitiveness capability.

The related literature for the subject quotes several classifications of international competitiveness. One of them analyses the international competitiveness in horizontal aspects and splits it into the microeconomic, mezzoeconomic, macroeconomic and metaeconomic levels. It is the approach that combines the conventional subdivision into the microeconomic and macroeconomic competitiveness with the more recent classification that includes also the mezzoeconomic and metaeconomic levels. On the other hand, M. Gorynia distinguishes five major hierarchical levels of economic systems and, consequently, international competitiveness. The levels are referred to as: micro-micro, micro, mezzo, macro and global<sup>5</sup>.

The alternative classification analyses the international competitiveness in the vertical aspect and distinguishes the systemic and institutional competitiveness. The vertical classification emphasizes the need to overcome the confining frameworks of factors related merely to amounts and quality of resources and to extend the analysis onto soft factors related to widely understood institutional environment on each horizontal level. Obviously it is possible to argue with such a concept and claim that the systemic and institutional classes of competitiveness are merely derivatives of the macroeconomic competitiveness.

## 2. Systemic competitiveness

The term of systemic competitiveness appeared in the related literature in mid 90's as an analytic concept that merged components of other economics and other social sciences<sup>6</sup>. It came into being in the economic literature as an alterna-

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<sup>5</sup> M. Gorynia: *Zachowania przedsiębiorstw w okresie transformacji. Mikroekonomia przejścia*. University of Economics, Poznań 1999, p. 93

<sup>6</sup> J. Meyer-Stamer: *Systemic Competitiveness Revised*. Duisburg 2005.

tive to combating trends of schools that highlighted the role of state in the economy. On one hand the economists became aware that the concept of the economy managed, controlled and supported by state organizations (*government-driven economy*) failed and entailed additional problems associated with emerging of non-competitive industrial structures<sup>7</sup>. On the other hand, the concept of unlimited free market with no involvement of the state had already proved to be unfeasible due to the existing social gaps and imperfectness of the market mechanisms that lead to monopolization of the economy, not only in extreme cases.

The systemic competitiveness, as an alternative to the foregoing concepts, emphasizes the importance of governing on the macroeconomic level. Nevertheless, it additionally encourages to discussion on the economy competitiveness and introduces to that discussion such key terms and mechanisms related to governing and managements and originated from political sciences.

The current concept of systemic competitiveness that most frequently appears in studies dedicated to these topics is based on researches that were carried out by OECD at the end of 90's and were intended to develop integrated and cohesive approach. It must be underlined that it is the holistic approach to issues related to the international competitiveness. The authors of studies dedicated to the systemic competitiveness believe that '(...) the state is not allowed to make a selective choice in terms of individualized policy or a partial competitiveness from the set of determinants of systemic competitiveness'<sup>8</sup>. It is since the international competitiveness is understood in a very broad manner and omission of some categories in studies on that competitiveness leads to deformation and sometimes even to deterioration of the entire image of the country. The countries with economies that demonstrated high competitiveness have developed necessary structures on the macroeconomic level and these structures encourage and promote competitiveness. The developed frameworks enforce high performance on companies whilst the steady and shaped mezzoeconomic level brings together business entities that jointly define rules for the supporting policy. Huge number of companies on the microeconomic level musters up for efficiency as well as to maintain and improve quality and extreme flexibility (elasticity). In addition, business entities collaborate on each horizontal level and make up clusters that are established to improve competitiveness of all participants e.g. by cutting

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<sup>7</sup> It is the concept that ignored experience of Asian countries and most of developing countries that simultaneously suffered from weak market mechanisms and weak governments.

<sup>8</sup> K. Esser, W. Hillebrand, D. Messer, J. Meyer-Stammer: *Systemic Competitiveness – New Challenge to Business Politics*. "Economics" 1999, Vol. 59, Institute for Scientific Cooperation, Tübingen, p. 62.

down the overheads, enabling flow of knowledge, personnel and perfect information, sharing common expenditures for research studies and development, etc. All that system is 'supervised' by appropriate entities and instruments on the metaeconomic level. The systemic competitiveness, understood in such a way, is the simultaneous vertical and horizontal approach to the international competitiveness.

The systemic competitiveness is understood in the similar manner in the Polish language literature. T. Dołęgowski claims that competitiveness of economy depends on appropriately targeted and mutually dependent measures that are undertaken on four horizontal levels of economy: microeconomic, mezzoeconomic, macroeconomic and metaeconomic ones. These measures are featured with the ability to initiate the relations of mutual competition, dialogue, collaboration and taking common decisions and establish relationships between major economic subjects. The competitiveness, being understood in such a manner, is referred to as the systemic competitiveness due to '(...) mutual interrelationship of components that determine the competence and by virtue of developing a specific system that is bound with the political and social system and the national economy of a specific country'<sup>9</sup>. K. Żukrowska understands the systemic competitiveness as the solution, where two basic provisions are fulfilled. First and foremost, the pressure of competence is a permanent challenge for efficiency improvement with respect to production and products. Secondly, enterprises are integrated in networks of collaboration that are established for that purpose. Such collaboration networks offer diversity of services, organizations and external interconnections intended to support efforts of individual subjects<sup>10</sup>.

Sources of the systemic competitiveness can be sought among such economic concepts (theories) as post-structuralism, institutional economics, management science and innovation economics<sup>11</sup>. On the other hand, the origins of the systemic competitiveness can be also found among: political science, economic sociology, industrial sociology and economic geography<sup>12</sup>.

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<sup>9</sup> T. Dołęgowski: Op. cit., p. 83.

<sup>10</sup> K. Żukrowska: *Konkurencyjność systemowa w procesie transformacji. Przykład Polski*. In: *Konkurencyjność gospodarki Polski w dobie integracji z Unią Europejską i globalizacji*. Vol. 1. Eds. W. Bieńkowski, J. Bossak. SGH, Warszawa 2001, p. 173.

<sup>10</sup> K. Esser, W. Hillebrand, D. Messer, J. Meyer-Stammer: Op. cit., p. 7.

<sup>11</sup> L. von Bertalanffy: *Ogólna teoria systemów. Podstawy, rozwój, zastosowania*. PWN, Warszawa 1984, p. 48.

<sup>12</sup> Ibid., p. 15.

When to consider the systemic competitiveness as a vertical sight onto the economy, the determinants of that concept must be sought on all the vertical levels, i.e. on the microeconomic, mezzoeconomic, macroeconomic and metaeconomic levels. Individual determinants on each of these levels are summarized in the table below (see Table 1).

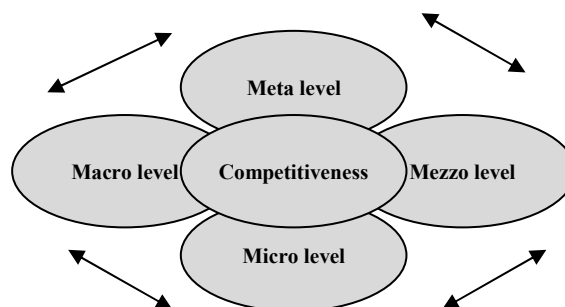
Table 1

Determinants of systemic competitiveness

Metaeconomic level	Macroeconomic level	Mezzoeconomic level	Microeconomic level
Social and cultural factors	Budget policy	Infrastructural policy	Competences of management
System of values	Monetary policy	Educational policy	Operation strategies
Basic structure of the political and economic system	Fiscal policy	Industrial policy	Management of innovations
Ability to develop strategies and policies	Competition policy	Environmental policy	Integration with technological networks
	Money policy	Regional policy	Collaboration with suppliers
	Trade policy	Export and import policy	

Source: M. Lubiński: *Proces integrowania się ze Wspólnotami Europejskimi jako czynnik wzrostu międzynarodowej konkurencyjności polskiej gospodarki*. Iris, Warszawa 1995, p. 38.

The analysis of individual levels would be totally incomplete if the interactions between individual levels were omitted. Mutual interrelationships between individual levels are explained on the foregoing diagram (see Figure 1).



**Figure 1.** Interrelationships between determinants of the systematic competitiveness  
 Source: K. Esser, W. Hillebrand, D. Messer, J. Meyer-Stammer: *Systemic Competitiveness – New Challenge to Business Politics*. In: “Economics” 1999, Vol. 59. Institute for Scientific Cooperation, Tübingen, p. 73.

The above diagram can be understood in the following way. Individual determinants on each level directly affect the international competitiveness. They can also primarily influence determinant on other levels and then, secondly (indirectly) affect the competitiveness. They can be also combined into sequences of effects, etc. It is the concept that is far away from the national approach to the economy, where the national economy is controlled by means of institutional instruments. On the contrary, it emphasizes mutual infiltration of individual levels and their interactions based on the principle of equality. It is also the synthesis of interdependences that exist in economy.

The deliberation about systemic competitiveness and its determinants should also include presentation of market subjects and factors that contribute in creation of such competitiveness. The studies from western countries predominantly use the classification of subjects introduced by K. Esser, W. Hillebrand, D. Messer and J. Meyer-Stammer<sup>13</sup>. On the microeconomic level these researchers classify producers and consumers as subjects of the systematic competitiveness. The mezzoeconomic level is ascribed to local and regional stages and deals with such subjects as governmental organizations, business organizations, trade unions, associations of consumers and other private organizations as well as entities that have majored in research and development studies, including both private and state-owned entities. On the macroeconomic level one has to distinguish such bodies as parliament, government, regional government institutions, central bank and the judiciary. The metaeconomic level comprises science, pro-efficiency oriented groups of subjects, assertion of interests and self-organization under variable external conditions, social organization and organization skills as well as ability of the groups of subjects to social integration.

### **3. Institutional competitiveness**

Institutions are created by society. It is the category that is used by various scientific disciplines but its definitions varies from one discipline to another. Institutions are understood as rules for economic game that are made up of the legal system and organizations that are capable, by use of awards and punishments, to enforce obeying of these rules by all the economic entities (government and non-governmental organizations (NGO), the enterprises of fading state-owned sector and flourishing private firms, internal or external agencies that run their activities under rules of the free market economy, companies of financial agency and players of the capital market and households).

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<sup>13</sup> K. Esser, W. Hillebrand, D. Messer, J. Meyer-Stammer: *Op. cit.*, p. 74.



The institutional theories highlight threads that emerge from the unrestricted competition and grant the state the vast role in elimination or mitigation consequences that such competition entails. Moreover, they postulate to implement the policy that would combat the inequities. The common feature of institutional theories is the belief that competition '(...) is incapable to maintain its power to act by itself as the process of competition leads to formation of the economic authorities. The authorities that are in power of economy tend to distort the competition as the entities that are in power are to breach the rules of market play'<sup>14</sup>. Therefore the common conviction exists that the inequity of the market power should initiate adequate actions related to the policy of competitiveness with the aim to adjust balance of the market power and assure a certain redistribution of goods.

The theory of competitiveness classifies all the competitiveness factors into passive and active ones<sup>15</sup>. The term of passive factors is understood as the potential that is available to a specific country. That potential includes natural resources, condition of the infrastructure, human, capital and technological resources. On the other hand, the active factors (i.e. the ones that make it possible to benefit from the possessed resources) comprise the social and economic system as well as the character and directions of the economic policy. Hence, the institutional factors can be classified into the group of active factors as individual countries may affect them in direct manner and, by means of the adopted system and directions of the implemented economic policy, determine how efficiently the possessed resources are utilized.

The institutional factors may be of various natures in different countries and diversely affect other factor of competitiveness and general opportunities for development of specific countries. The strength how intensely the institutional factors affect the economic growth of the country and competitiveness of its business is determined by historical aspects, i.e. how long the institutional solutions have been practiced in the country and how well they are compatible to the traditional institutional system that has been obeyed to in a certain country for dozens of years. It is why the analysis of functional factors must take account for the subdivision into formal and informal factors that is also adhered to by the economists. Nowadays the influence of habitual, religious, formal and legal rules

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<sup>14</sup> G. Maniak: *Konkurencja i konkurencyjność w badaniach współczesnej ekonomii*. In: *Teoretyczne aspekty gospodarowania*. Ed. D. Kopycińska. University of Szczecin, Szczecin 2005, pp. 155-156.

<sup>15</sup> W. Bieńkowski: *Instytucje jako czynnik konkurencyjności krajów postkomunistycznych*. Instytut Gospodarki Światowej 2005, Vol. 286, p. 11.

onto behaviour of individuals and functioning of economies substantially varies from one society to another. Traditional societies tend to insistently mould behaviour of their members – in particular it refers to societies that have homogeneous ethnical and national profiles. On the other hand, young societies developed in migration processes, as a result of migrations and amalgamation of cultures, are more subjected to the rules of the legal system.

Institutions implement the framework of social surveillance over the entire social life, define thresholds for permissible behaviour, improve safety and prevent from anarchy and misuses of power by state authorities. They determine areas and boundaries as well as rules for political and economic games and enforce obeying of these rules. Affect behaviour of individual members of the society and activities of organizations set up by individuals. In the area of economy the institutions have also specific tasks, i.e. protection of the ownership right, freedom of business and competitiveness as well as promotion of entrepreneurship, development, employment and keeping the economy well-balanced. Such understanding of institutions may be conducive to improved collaboration, cutting down expenses on setting up new businesses and reduce risk associated with breaching the ownership rights and failure of the business entities to truthfully handle the agreements and obligations.

The organizations that deal with international countries' competitiveness are perfectly aware how important the informal institutions are for growth and competitiveness of economies. It is why yearly reports and rankings of countries' competitiveness include indices related to such factors of competitiveness as: operation efficiency of states, the degree how the ownership rights are reflected in constitutions and legal systems of each specific country, transparency of legal rules, the degree how the law is respected, the degree of corruption, expenses onto setting up and closing down an own business as well as other components of transactional costs.

Partial measures of competitiveness related to these indices present the important source of information for all the entities that run their businesses, in particular for international corporations, potential foreign investors or international financial institutions. It is why the score in such detailed rankings, covering one or several of these factors is crucial for the direction of capital flow and for making decision on new investments. Subsequently, these streams of capital flow are decisive for rates and directions of economy growth in specific countries.

Famous international institutions perform scheduled researches of economic freedom degree and conditions for operation of business entities in various countries. The freedom degree is measured by means of various indexes, where the

ones published by The Fraser Institute, Heritage Foundation – Wall Street Journal and World Bank are considered as the most appreciated ones. The indexes of economic freedom not only make it possible to compare conditions for entrepreneurship in individual countries but also enable to assess whether and where the area of economic freedom expands or shrinks. Detailed scores for individual areas provide information in which areas specific countries catch up other ones and where they are still behind. These indexes are attentively checked by analytics and investors. For many business units they are virtually the basic source of knowledge about remote countries.

#### 4. Competitiveness of economic systems

An economic system as the economic category is a term that is understood and construed in a various manner in the subject-related literature. There are many ways how the issue is approached and defined. A great deal of the definitions is rather general and refers to wide-ranging theory of the systems originally developed by L. von Bertalanffy. According to that theory the system is defined as ‘(...) a whole that is made up of parts that remain in the status of interactions’<sup>16</sup>. It is the primary definition from which all the subsequent ones are derived. Therefore the object of interest is perceived as a whole unit but not as a set of components. Such perception contributed into development of the systemic approach that was also implemented into economies.

In a narrow sense an economic system ‘(...) is a certain, conventionally isolated part of the national economy. It specifically excludes economic resources or business activities and results thereof. Anyway, it is (...) a set of determinants for such activities and their results, located in the specific country, relatively fixed but intangible. Consequently it serves as a measure of the economy efficiency’<sup>17</sup>. The economic system, defined in the foregoing manner, can be referred to the term of ‘economic order’ that was introduced to the German literature by W. Eucken<sup>18</sup>. Within the economic system understood in the narrow sense L. Balcerowicz specified three components of such a system, i.e. the institutional system of the economy, the economic system in the institutional aspect as well as the institutional and regulative system. It is why the term of the eco-

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<sup>16</sup> L. von Bertalanffy: *Ogólna teoria systemów. Podstawy, rozwój, zastosowania*. PWN, Warszawa 1984, p. 48.

<sup>17</sup> *Ibid.*, p. 15.

<sup>18</sup> T.T. Kaczmarek: *Zasady porządku w gospodarce rynkowej. Rola państwa*. Difin, Warszawa 2005.

conomic system, still in the narrow sense, is close to such categories, as ‘systemic factors’, ‘system of the economy functioning’ or ‘economic mechanism’<sup>19</sup>.

J. Wilkin defines the economic system as ‘(...) system of institutions that are mutually interconnected, both directly and indirectly and that are involved in the process of production, distribution and exchange of products and services. The nature of the involved institutions and bonds between them decide about fundamentals of the system that include: the set of objectives that should be achieved by the system, structure and mechanisms of decision-making procedures, the mechanism for allocation of resources and patterns for distribution of the produced goods. Therefore the economic system decides, what is to be manufactured, in which manner and for whom’<sup>20</sup>.

A very interesting approach to the term of an economic system understood in the foregoing manner is the way how it is defined by J. Beksiak who perceives the economic system as an internally cohesive set of institution and behaviours demonstrated by stakeholders of the economy<sup>21</sup>. In such a case the economic system can be identified with the economic order. In these aspects the analysis of economic system is reduced to perceiving it either via institutions or from the point of governing mechanisms.

In the broad meaning the economic system refers to the concept of J. Kornai, who considered an economic system as a specific case of systems that are described by the mathematical theory of systems. Therefore the economic system was understood as ‘(...) a set of organizations and incorporated entities that operate in time’<sup>22</sup>. Organizations and entities are merged together by flow of products and information and operation of the system is determined by functions of individual reactions. The system structure is defined by J. Kornai by five properties altogether, i.e. by a set of organizations, a set of products, a set of information types, a system of functions attributable to the real zone and a system of functions attributable to the regulative zone.

In the Polish economic literature it was B. Minc, who first started dealing with issues of economic systems and identified economic systems with national (countrywide) economy. Such an approach is identical with a broad understanding of economic systems. B. Minc believes that each economic system should be

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<sup>19</sup> S. Swadźba: *Integracja i globalizacja a system gospodarczy. Konsekwencje dla Polski*. University of Economics, Katowice 2007, p. 18.

<sup>20</sup> J. Wilkin: *Jaki kapitalizm, jaka Polska?* Wydawnictwo Naukowe PWN, Warszawa 1995, pp. 113-114.

<sup>21</sup> J. Bekasik: *Ekonomia*. Wydawnictwo Naukowe PWN, Warszawa 2000, p. 236.

<sup>22</sup> J. Kornai: *Anti-Equilibrium. Teoria systemów gospodarczych. Kierunki badań*. PWN, Warszawa 1977, p. 82.

analyzed in a wider context, as a component of the associated social system. He defines the economic system as ‘(...) a society that is considered from the viewpoint of its economic conditions and, in consequence, as a unity of economic components that are attributable to the society and that are in interactions’<sup>23</sup>. Therefore each economic system is made up of its individual components, i.e. organization units, branches and sectors of the economy, etc. and types of business activities. Determinants of each national economy, perceived as an economic system, are recognized as its components that are mutually different in terms of their quantitative and qualitative properties, where these components undergo permanent replication and substitution while new components may emerge as well. B. Minc claims that just continuous quantitative and qualitative changes decide about continuous development and growth<sup>24</sup>.

Already mentioned L. Balcerowicz defines the economic system, understood in a broad sense, as a vast whole ‘(...) that in general includes all the relatively fixed determinants of business activities, both tangible (resources) and intangible (organizations, institutional rules), the business activities themselves and its results in the form of widely or narrowly perceived product, employment status, level and dynamics of consumption, forms and intensity of equilibrium, etc.’<sup>25</sup>.

Such perception of economic systems corresponds to one of the most popular definitions of an economic system that is widely spread in German literature, i.e. the definition formulated by H. Leipold. He believes that each economic system is made up of the following:

- economic factors, i.e. natural resources, production goods, human beings that act as both producers and consumers,
- economic and trade relations, i.e. processes of manufacturing, distribution and consumption, where these processes occur both internally, inside economic units as well as between them,
- economic order that is constituted from the binding legal and social rules that govern all the economic processes.

<sup>23</sup> B. Minc: *Systemy ekonomiczne*. Vol. 1. PWN, Warszawa 1975, p. 62.

<sup>24</sup> B. Minc: *Op. cit.*, pp. 63-64.

<sup>25</sup> L. Balcerowicz: *Systemy gospodarcze. Elementy analizy porównawczej*. SGH, Warszawa 1990, p. 14.

## **5. Competitiveness of economic systems vs. systemic competitiveness and institutional competitiveness**

The knowledge about issues related to systemic and institutional competitiveness, already acquired from research studies, makes it possible to formulate some conclusions with regard to relationships between these two terms and the category of an economic system.

Systemic competitiveness is a much wider term than institutional competitiveness. It is the conclusion that can be drawn after comparison of measuring parameters that are used to evaluate these two types of competitiveness. All the components that make up the set of measuring factors for the institutional competitiveness are simultaneously a subset of measuring factors for systemic competitiveness. They present an essential part of the latter but not the most important. In addition, regardless to the methodology applied to research studies on systemic competitiveness the institutions concerned are considered in the widest possible manner (the studies take account for both formal and informal institutions).

The factors of institutional competitiveness are not a single, specific pillar of systemic competitiveness, but can be found in every pillar, regardless whether IMD or WET studies are in question. Therefore these factors should be sought down the horizontal dimensions instead of vertical ones. Components of institutional competitiveness can be then found in such a pillar as institutions of the economic system, but also in such pillars as the infrastructure, macroeconomic performance, health and education of the basic level, high education and training system, market efficiency, technological readiness, business complexity, innovations (according to the WEF method). When to consider the IMD method, components of institutional competitiveness can be found in such pillars (groups) as: efficiency of the state (including efficiency of public finances, fiscal policy, institutions, economic law, education), business efficiency (measurements of productivity, labour market, finances, management, effect of globalization) and quality of the infrastructure (quality measures for the basic infrastructure, technological and scientific infrastructures, health and natural environment, the system of values).

The authors of reports dedicated to systemic competitiveness consider institutions as a system of rules then shape the system of incentives and define entities that operate on the market with their mutual relationships (interactions). It is the institutional backyard that has a particularly strong impact onto the systemic

competitiveness and growth of individual national economies. The reason for that is the fact that the institutional backyard performs the prevailing role in the processes of profit distribution between market entities and bearing costs of development strategies to be implemented. It also influences decision related to investments and organization of production. Within short-time periods institutions are not susceptible to alterations, but institutional reforms must change deeply enrooted human behaviour and habits. Existing of efficient and dependable institutions has the crucial importance for investors, for whom the independent judiciary is the guarantee of safe operation. The factors that are meant to measure quality of institutions include: protection of ownership rights, flow of public means to market entities, public trust to financial honesty of politicians, independence of judiciary, partiality of decisions made by state officers, wasting of governmental expenditures, legal order, expenses that have to be borne by enterprises due to terrorism, reliability and dependability of police, social cost of crimes, organized crime, ethical behaviour of enterprises, efficiency in management of corporations by their boards, safeguarding of interests for minor shareholders, power of audits and accountancy standards, efficiency of lawgiving bodies, quality of information related to amendments in policy and legal regulations, susceptibility of political parties to illegal financial sources, effect of legal financial forms onto activities of political parties, centralization of the decision-making processes related to economic issues, freedom of press, the methods of making payments for export and import operations, auxiliary costs (including illegal ones) of enterprises related to collection of taxes, operation of public utility enterprises, public contracts and sentences of courts, bribes handed over to politicians and representatives of the legal system, costs of corruption and nepotism.

During analysis of systemic and institutional competitiveness attention must be drawn to the fact that implementation of the competitive instruments needs a long period of time. Also assessment of their efficiency can be made only after a similar long-time period. The foregoing deliberations related to both the economic system as well as to systematic and institutional competitiveness make it possible to specify conclusions related to mutual relationships between these categories.

Therefore institutional competitiveness can be regarded as the measure for assessment of the economic system efficient in a narrow sense, for that reason it focuses its attention on assessment of those institutions (although is a very broad aspects) that are the subject matter of the analyses of the economic system in a narrow meaning.

On the other hand, the systemic competitiveness that measures basically all the possible aspects of the economy can be considered as the efficiency measure of the system operation in a broad meaning.

## Conclusions

The major objective of this study is the attempt to define such economic categories as international competitiveness of economy, systemic competitiveness and institutional competitiveness as well as to define mutual interrelationships between these categories.

The analysis of the considered categories has demonstrated that there is a strong functional interrelationship between them. It is known that institutional competitiveness can be perceived as the measure of the economic system efficiency in a narrow meaning. The relationship results from the fact that institutional competitiveness focuses its attention on assessment of those institutions (although is a very broad aspects) that are the subject matter of the analyses of the economic system in a narrow meaning. On the other hand, the systemic competitiveness that considers the economy as an entire whole should be considered as the efficiency measure of the system operation in a broad meaning.

Nowadays some researchers dealing with theoretical aspects of economic systems look for appropriate measures of economic system efficiency and performance. Everybody agrees that such traditional measures as: GDP per capita (PPP) or HDI are not sufficient to compare and evaluate economic systems. Therefore it could be interesting to consider using measures of international country competitiveness measures, especially measures of systemic and institutional competitiveness as measures of performance and efficiency of economic systems.

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