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INSTITUTIONAL MODERNIZATION VS. COMPETITIVENESS OF ECONOMIES

The issue of modernization, including institutional one, is complicated by its interdisciplinary character, time, spatial, subjective and objective scope. The main objective of the study is to present the modernization in an evolutionary approach with reference to institutional modernization and its impact on the competitiveness of European economies, including Polish economy. Implementing the adopted goals, the method of desk research analysis was applied. The most important challenges faced by individual economies and regions at the beginning of the 21st century were pointed out, and the importance of the sequence of connections and feedback between institutional modernization - systemic and institutional transformation – and the international competitiveness of the country and region, was emphasized. Final conclusions indicate, among others, that the competitiveness of Poland and its regions (positions) requires overcoming the obstacles that include tax regulations (complexity of the system), excessive fiscalism, labor law barriers and instability of economic policy.

Keywords: modernization, competitiveness, institutions, economy.

1. INTRODUCTION

In the complexity of the world and economies, making decisions and choices is the consequence of analyzing a number of factors of an economic, institutional, financial, legal, social, religious, ethical and moral nature. Hence the need for interdisciplinarity in the field of scientific research and business practice. Only such a broad perspective on the issues of the modern world gives an opportunity for its institutional modernization taking into account well-known phenomena such as globalization, sustainable development, inequality, poverty, competitiveness as well as new needs and challenges of civilization, which due to

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high dynamics of changes in human capital and technical progress and technological development will be revealed in the next years.

Modernization consists in introducing changes that create a new way of thinking in a specific field or the entire economy. The issue of modernization is complicated not only by its interdisciplinary character, but also by temporal and spatial, subjective and objective scope. The issue in question is important not only from the practical point of view, i.e. actual need for institutional modernization of modern economies, but also from theoretical one, as H.U. Wehler pointed out at the beginning of the 21st century "The profitability of modernizing the theory of modernization is more than ever a contentious issue"³. It is believed that the broad reflection on modernization is still a necessity and a challenge for theoreticians and practitioners, for the world of science, business and economic policy.

The main objective of the study is to present the category of modernization in terms of evolution with reference to institutional modernization and its potential impact on the competitiveness of European economies, including Polish economy. Implementation of the adopted objective required an answer to the following questions: 1) about the theoretical basis of modernization; 2) about the competitiveness of European economies and the role of institutions in this area.

When implementing the adopted goals, considerations were based on the subject literature and existing data using the method of desk research analysis. The existing data helped to collect and analyze the theoretical and empirical material in terms of selected research topic.

2. MODERNIZATION IN AN EVOLUTIONARY APPROACH – AS A SOURCE OF REFLECTION ON THE SHAPE OF MODERN INSTITUTIONAL MODERNIZATION OF ECONOMIES

The category "modernization" appeared in the 1950s as the effect of a "language emptiness" that did not provide the proper⁴ definition of the "social progress" → "social transformation" in underdeveloped countries. In addition, economists have come to the conclusion that when examining economic growth, one should consider long-term phenomena and processes that take place in psychological or institutional factors. W.W. Rostow indicated that analyzing the growth should explain the impact of non-economic factors, including, among others, the so-called a tendency to innovate, a tendency to develop the knowledge of physical and social sciences, or a tendency to use science for economic purposes⁵. Modernization is a fundamental concept of contemporary humanities. It is a category from the borderline of history and sociology. According to M. Kornat, this is industrialization and a conscious effort to change human consciousness⁶. Therefore, modernization is the process of creating, implementing and popularizing a "new one" in the

³ H.U. Wehler, *Modernizacja, nacjonalizm, społeczeństwo*, Eseje i artykuły, Wiedza Powszechna, Warszawa 2001, p. 50.

⁴ Notions such as "Europeanization" or "civilization" were not fully accepted. H.U. Wehler, *Modernizacja, nacjonalizm...*, p. 52–53.

⁵ E. James, *Historia myśli ekonomicznej XX wieku*, PWN, Warszawa 1958, p. 508–510.

⁶ M. Kornat, *Teoria modernizacji a historiografia totalitaryzmów (kilka uwag o dylematach wielkiej wizji)* [in:] *Modernizacja. Centrum. Peryferie*, ed. W. Borodziej, S. Dębski, Polski Instytut Spraw Międzynarodowych, Warszawa 2009, p. 256, 259.

world of science and politics, in the area of technology, culture or institutions, the effect of which is always determined reaction / change / social transformation, that is not always positive, so-called *regressive modernization*. Generally speaking, modernization means the process of changes leading to the creation of a modern society. It should be clearly emphasized that it is difficult to talk about “separating” the social from economic modernization, and economic from social modernization. The same issue applies to the consequences of the modernization process, i.e. social change and economic transformation. Therefore, the construction of new modernization concepts, as well as empirical analysis of the modernization process and its consequences is a challenge for contemporary science and practice.

H.U. Wehler, an expert on history, sociology and economics, points, among others, to fundamental advantages of the theory of modernization – dealing with “epochal, long-lasting... violent transformation...” – which can be presented as follows⁷:

- they form the basis for the analysis of overall social transformations offering categories related to the studied macro-planes, however, not abstracting from micro-problems;
- modernization considered as an ideal type, can be presented as broadly and comprehensively as possible, and in a logically compact way;
- they are characterized by a kind of flexibility;
- they create an area for wider comparative perspectives;
- they give an opportunity to capture historical developments, taking into account past and future phenomena;
- they are highly useful in the study of general social transformation.

Moreover, he indicates that theories of modernization are not currently a “compact theoretical system”, but “the area of problems and possible solutions”, which consists of “achievements of various social sciences”.

In addition to such modernization, the concept of “reflexive modernization” deserves special attention.⁸ A. Giddens⁹ distinguished two types of modernization: simple and reflexive modernization. Simple modernization is characteristic of the industrial era associated with scientific and technological progress, where change is a predictable process (in terms of sources and effects of modernization). In turn, reflexive modernization comes from deep social processes (globalization, changes in everyday life, post-traditional society) without pointing to the directions / effects of future development (Figure 1). The era of industrialization is a period, in which the role of the dominant sector driving the economic growth of the country is taken over by industry, while in post-industrialism, by the sphere of services and broadly understood knowledge and information. Industrialism and post-industrialism are fundamentally different in their nature of technical change (innovation).

According to U. Beck – distinguishing reflexive and reflective modernization – simple modernization means eradicating traditional social forms and replacing them with industrial social forms, in turn, reflexive modernizing – the uprooting and re-embedding of industrial social forms due to another modernity. The reflexive modernization – in his opinion – is essentially imperceptible, as a consequence of an ordinary, autonomous modernization

⁷ H.W. Wehler, *Modernizacja, nacjonalizm...*, p. 47, 85–90.

⁸ U. Beck, A. Giddens, S. Lash, *Modernizacja refleksyjna. Polityka, tradycja i estetyka w porządku społecznym nowoczesności*, Warszawa 2009.

⁹ A. Giddens, *Poza lewicą i prawicą. Przyszłość polityki radykalnej*, Poznań 2001, p. 92.

within the existing political and economic order. He emphasizes that social change can happen without shocks like the crisis. It is a transition from industrial society to a society of risk. In turn, the increase in knowledge and science is associated with the self-reflection over modernization (reflexive modernization)¹⁰. Reflexive modernization creates the possibility of creatively influencing the natural, social and mental environment¹¹.

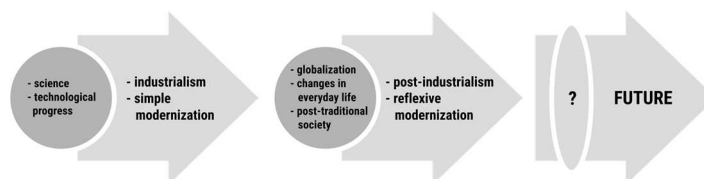


Fig. 1. Modernization in an evolutionary approach

Source: own study based on A. Giddens, *Poza lewicą i prawicą...*, p. 92.

Summing up, it should be pointed out that modernization is of an evolutionary nature, because it leads to changes spread over time, i.e. from the backwardness to the industrial stage, i.e. industrialization, post-industrial stage and currently re-industrialization. The theory of modernization covers both the economic and social sphere of human life, and as M. Leszczyńska points out, apart from an important contribution to the progress in the field of technology, it brought the most complete view of changes in a society to date.¹²

3. INSTITUTIONAL MODERNIZATION OF POLISH ECONOMY – SELECTED ELEMENTS

In the context of the above issues, it is necessary to mention after R. Wapiński¹³, that the pace of civilization changes in the Polish territory was significantly slower than in Western Europe – as a result of previous eras heritage and the result of the long-term reign of “real socialism” – and the range of short-term intense modernization processes was limited to the Vistula line, which significantly contributed to identify peripheral areas also identified in current reality. The pursuit of Polish economic thought for social modernization and modernization of the economy was inseparable from the historical background and in a significant part it can be used to build a new vision of Polish economy.

In Poland, during the command-and-distribution economy, the implementation of economic policy for dynamizing the economic growth through industrialization of the economy was undertaken three times. However, they ended with a deterioration of the

¹⁰ U. Beck, *Ponowne odkrycie polityki: przyczynek do teorii modernizacji refleksywnej*, [in:] U. Beck, A. Giddens, S. Lash, *Modernizacja refleksyjna...*, p. 13–14.

¹¹ S. Lash, *Refleksyjność i jej sobowtóry: struktura, estetyka, wspólnota*, [in:] U. Beck, A. Giddens, S. Lash, *Modernizacja refleksyjna...*, p. 149–150.

¹² M. Leszczyńska, *Modernizacja i rozwój społeczny w perspektywie teorii socjologicznych*, „Nierówności Społeczne a Wzrost Gospodarczy” 2012, Vol. 5, p. 33–34.

¹³ R. Wapiński, *O niektórych następstwach przemian cywilizacyjnych (modernizacja w sferze „rzeczy” a przemiany w świadomości społecznej)* [in:] *Społeczeństwo. Państwo. Modernizacja*, ed. W. Mędrzecki, Instytut Historii PAN, Warszawa 2002, p. 312–313.

economic situation, including in the area of inefficient structure of the economy and material situation of the population. It was associated with the fact of industrialization subordinated to political doctrine¹⁴. The literature on the subject indicates, however, that the intensified industrialization of Poland led to the transformation of Poland from the raw material and agricultural into an industrial and agricultural country, and industrialization in this period was based mainly on the development of the raw material and energy base, development of the machine and chemical industry¹⁵. Features of the institutionalization process in the command-and-distribution economy were, among others, following: the “top-down” nature of public institutions establishing, politicization and ideologization of various institutions, underdevelopment or lack of certain types of institutions, uneven development of individual institutions, including the so-called formal and legal “over-institutionalization”, and social “under-institutionalization”, or underdevelopment of intra-institutional mechanisms of social transformations¹⁶. In the economy of this period, the role of the state institutional system focused on the mechanism of planning and enforcing the established assumptions. In turn, in the period of systemic transformation, the market and its mechanisms became the basic institution¹⁷.

The reconstruction of Poland’s political and economic system from a centrally planned to a market economy was an extremely difficult and complicated task. It required development and consistent implementation of the strategy. From theoretical point of view, one can distinguish a shock strategy, also known as a radical one and a strategy of gradual transition.

The radical strategy consists in a one-time and complete transition from a centrally planned economy to a fully free market economy. It is an abstract category, as it is assumed that its implementation will be fast covering both broadly understood system infrastructure and principles of managing the economic life and mechanism of economy functioning. However, making quick changes to the rules of managing the economy and its processes as well as mechanism of its functioning is possible but very costly. On the other hand, a one-off transformation of the system infrastructure is practically impossible, since the change of institutional bases of the economy, in particular law and forms of ownership and the principles of business organization, requires a longer period and is associated with incurring the economic and social costs. The change in the ownership relations of the principles of central authorities’ influence, especially of the government, on various types of economic institutions and their functioning, which will not cause an immediate, radical way of functioning of these institutions, is of key importance for the system transformation processes. These institutions are very diverse and include both organizational arrangements

¹⁴ J. Kaliński, *Fazy wzrostu gospodarki polskiej po 1918 roku*, „Optimum. Studia Ekonomiczne” No. 1(85)2017, p. 70–75, <http://repozytorium.uwb.edu.pl/jspui/handle/11320/5600>

¹⁵ S. Smoliński, J. Boroń, *Główne kierunki industrializacji w Polsce ludowej*, p. 194–195, <https://repozytorium.amu.edu.pl/bitstream/10593/18788/1/011%20STANIS%20C5%81AW%20SMOLI%20C5%83SKI%20i%20J%20C3%93ZEF%20BORO%20C5%83.pdf>

¹⁶ M. Malikowski, *Instytucjonalizacja, dezinstytucjonalizacja a zmiana społeczna*, „Ruch Prawniczy, Ekonomiczny i Socjologiczny”, Year LIII, Vol. 3, 1991, p. 141–142, <https://repozytorium.amu.edu.pl/bitstream/10593/16655/1/013%20MARIAN%20MALIKOWSKI.pdf>

¹⁷ J. Chotkowski, *Instytucje rynkowe i koszty transakcyjne kluczowe pojęcia nowej ekonomii instytucjonalnej*, *Roczniki Nauk Rolniczych*, series G, No. 97, Vol. 2, 2010, p. 102, http://www.wne.sggw.pl/czasopisma/pdf/RNR_2010_T97_z2_s100.pdf

in the formal and legal sense (including households, production, commercial and service enterprises, banks, trade unions), as well as institutionalized and therefore sanctioned by traditions, custom or law, relevant patterns of behavior and behavior in the sphere of the economy¹⁸.

Practical experience shows that in the first stage measures should be taken towards macroeconomic stabilization, opening the economy, and then initiate changes in the basic elements of the system infrastructure and consistently implement the processes of decentralization and restructuring as well as privatization and re-privatization. The creation of new enterprises, modernization of social benefits infrastructure, including in particular the change in the status and functions of institutions dealing with education and higher education, health care and social care, are also of significant importance. Conducting these changes is associated with incurring considerable own and foreign inputs, and also requires a longer period of time.

On the other hand, strategy of gradual transition from a centrally planned to a market economy is based on the evolutionary reconstruction of the political and economic system. This strategy assumes, among others, that existing institutions and enterprises (especially state-owned) have a certain value and therefore their rapid elimination would be unjustified. Thus, in the first stage of transformation, old and new institutions and enterprises may operate simultaneously. However, it is important to generate conditions that enable new businesses to gain an advantage, which is undoubtedly possible over a longer period of time. Creating institutional and instrumental conditions enabling to make autonomous decisions regarding saving investment, consumption, production, sales or exchange with foreign countries requires: changing the ownership relations and introducing the private property rights, defining and establishing the right to conclude contracts, the right to create new enterprises and their autonomy, liquidation of the monopoly of foreign and monetary trade of the state, introduction of autonomy (independence) of the central bank and the two-tier banking system, creation of a new tax system and generation of the market environment, including in particular the business one¹⁹.

In the strategy of systemic transformation, transformation of mechanisms for the development of external links, i.e. foreign goods and services trade and foreign exchange of production factors, is very important. Its implementation can be carried out in a shock (radical) way or as gradual opening of the economy. The goal of this strategy is to increase the benefits of dynamically growing foreign turnover and increase their importance in the socio-economic development of the country.

Active participation of a given country in the international division of labor is determined primarily by the scope and strength of the external environment and by the scope and dynamics of the ongoing institutional and structural changes within the economy.

Political transformation in Poland was primarily an institutional change. In the nineties of the twentieth century, it was emphasized that rapid modernization of the structure of Polish economy would allow for the dynamization of economic growth in the long-term perspective and for achieving the level of European standards. The most important factors

¹⁸ See D. Rosati, *Polska droga do rynku*, Warszawa 1998, also L. Balcerowicz, *Wolność i rozwój*, Kraków 1998.

¹⁹ H. Siebert, *The World Economy*, London 1999, p. 169–170.

determining the structural changes of this period were in the majority those referring to the specifics of institutional modernization²⁰:

- opening of Polish market for foreign competition,
- changes in connections with the global and especially European market,
- privatization process,
- changes in cooperative relations,
- construction of a new regulatory infrastructure,
- creation of technical progress and new technologies.

It was then emphasized that there is a need in Polish economy to increase the share of modernized branches with high-tech parameters²¹.

It should be emphasized here that despite various evaluations of the process of the economy modernization in this period (poor modernization), no negative effects prevailed over positive ones²².

Currently, as the literature on the subject indicates, overcoming the developmental weaknesses of Polish economy, i.e. regional diversity, low level of innovation, medium income trap, weakness of industrial policy, barriers to private sector development, it would have to involve a deep modernization of the existing institutional order, the characteristic feature of which is continuous (despite evolutionary changes) underdevelopment of institutions borrowed, among others, from the market model²³. The characteristics of selected institutional areas within Polish economic model are presented in Table 1.

In the opinion of J. Winiecki, economic institutions and policy conducted within these institutions are extremely important for the process of economic development²⁴. Therefore, it should be emphasized that the breakthrough moment of institutional modernization of Polish economy was the internationalization process combined with affiliation to international economic organizations, i.e.²⁵:

- 1989 – beginning of economic transformations in Central Europe;
- 1991 – opening of the Warsaw Stock Exchange;
- 1995 – accession to the World Trade Organization;
- 1996 – accession to the Organization for Economic Cooperation and Development;
- 1999 – joining the North Atlantic Treaty Organization;
- 2004 – joining the European Union;
- 2007 – joining the Schengen Area.

²⁰ E. Czerwińska, *Zmiany strukturalne w polskiej gospodarce*, Kancelaria Sejmu Biuro Studiów i Ekspertyz, Information No. 778, March 2001, p. 8–9, http://biurosej.sejm.gov.pl/teksty_pdf_01/i-778.pdf.

²¹ *Ibidem*, p. 11.

²² J. Czaja, *Kulturowe czynniki bezpieczeństwa*, Kraków 2008, p. 56.

²³ P. Maszczyk, *Wpływ zmian instytucjonalnych na rozwój polskiej gospodarki w dekadzie 2005–2015* [in:] *Polska Raport o konkurencyjności 2016, znaczenie polityki gospodarczej i czynników instytucjonalnych*, red. nauk. M.A. Weresa, Warszawa 2016, p. 175–176, http://kolegia.sgh.waw.pl/pl/KGS/struktura/IGS-KGS/publikacje/Documents/Raport_POLSKA2016.pdf.

²⁴ J. Winiecki, *Przekształcenia strukturalne w procesie rozwoju gospodarczego: Modyfikacje i rozszerzenia*, <http://workingpapers.wsiz.pl/pliki/working-papers/Winiecki%20WP6.pdf>.

²⁵ https://www.paih.gov.pl/polska_w_liczbach/gospodarka.

Table 1. Features of selected institutional areas of Polish economy

Institutional area	Features
Type and scope of competition on the product market	Competition of a price nature, small significance of quality competition. Key role of foreign investors. Low capacity to accumulate domestic resources. Administrative and legal-administrative burden, bureaucracy. Investment barriers. Important function of the sector of small and medium enterprises – dominance of microenterprises. Very poor consumer movement and public institutions to protect competition and consumers.
Way of organizing the labor market and influence of entities of this market on the amount of wages	Non-stabilized, changeable, limited trilateral relations government – business – trade unions. Market coordination of labor relations. Strong segmentation of the labor market, combination of etatism (country as the strongest participant in trilateral relations), weak corporatism (industries and companies with the participation of the state treasury, public sector) and dominant pluralism (private sector). Employer's market, weak position of employees and strong position of employers. Persistent high structural unemployment and labor migration.

Source: own study based on P. Maszczyk, *Wpływ zmian instytucjonalnych na rozwój polskiej gospodarki w dekadzie 2005–2015*, [in:] *Polska...*, p. 176.

Summing up, it should be said that current considerations on the modernization of Polish economy cover very diverse issues, including demographic, infrastructural, energy, health and ecological issues considered in the local, regional and national perspective. Moreover, the process of modernization changes in Poland has been external for many years, which results from the fact of membership and accepted economic strategies of the European Union. An important development factor defined, among others, in the current Europe 2020 strategy, is modernization of knowledge and technology transfer that requires significant and real institutional changes in the science, higher education and research and development sectors, including enterprises. It is referred to as re-industrialization and consists in the development of innovation leading to a significant reduction in production costs, efficiency gains, reduction in the use of primary raw materials and energy demand, lowering production emissions and improving work safety. Re-industrialization after post-industrialism is to be the carrier of the development of European economies based on reconstruction and new dynamics of industrial development.

4. IMPACT OF THE INSTITUTIONAL FACTOR ON THE COMPETITIVENESS OF EUROPEAN AND POLISH ECONOMY

The concept of international competitiveness is ambiguous, dynamic and relative²⁶. An attempt to define this category has been undertaken by many theoreticians from various

²⁶ B. Ślusarczyk, *Międzynarodowa pozycja konkurencyjna Polski. Teoria i praktyka*, Warszawa 2011, p. 15–21.

scientific disciplines, including economics, management, organization or sociology, as well as a number of renowned institutions such as: OECD, EU, IMD, World Economic Forum (WEF), ministries of the US government and Great Britain. Among the formulated definitions²⁷ in our opinion, definition of J. Bossak and the World Economic Forum deserves attention.

According to J. Bossak, "A competitive economy is one that adapts its socio-economic goals and a mechanism of functioning not only to internal conditions but also to international conditions; at the same time, it is able to take effective actions that not only creatively use the changes taking place in the structure of global economy to stimulate one's own development, but will also affect changes in competitive conditions in a way that ensures greater benefits from participation in the international division of labor"²⁸. Competitive ability should therefore be understood as a dynamic trait (property) of the national economic system expressing its long-term ability to be actively and anticipated adaptation to changing internal and external conditions, the effect of which is to increase or retain participation in the benefits of participating in the international labor division.

However, according to the World Economic Forum, international competitiveness of the national economy is determined by "A set of policy and institution factors that determine the level of productivity in the country and cause that the national economy is able to develop relatively quickly on medium to long-term scale"²⁹.

In the above-mentioned definitions, an emphasis was placed on institutional factors that have significant impact on the competitiveness of the economy and region of each country. The process of enriching the definition of international competitiveness with an emphasis on the importance of the institutional environment in national and regional economies included in its definition³⁰ was mainly caused by dynamic development of the theory of economics and the ongoing restructuring and modernization processes.

The concept of new institutional economy and its supporters indicate that the production capacity of the economy is determined primarily by its institutional shape, and to a lesser extent by technical capabilities. They emphasize that it is not only the quality of the institutions themselves that is important, but also the quality of links between institutions that generate certain institutional system in each country. The quality of institutions has quite significant impact on the degree, to which a given economy is productive and innovative, and in which it is attractive to mobile production factors on an international scale. Institutions are created on various levels and are subject to continuous modernization and transformation.

Institutional competitiveness can be considered both in the microeconomic, as well as in meso or macroeconomic dimension, and it also refers to the entities' ability to achieve social success. It should be emphasized that institutions are not the only source of

²⁷ W. Bieńkowski described about 400 definitions of this category, W. Bieńkowski, *Rola polityki rządowej w poprawie konkurencyjności kraju w warunkach globalizacji i integracji regionalnej*, Zeszyty Naukowe Politechniki Poznańskiej, No. 32, Poznań 2001.

²⁸ J. Bossak, *Spoleczno-ekonomiczne uwarunkowania międzynarodowej zdolności konkurencyjnej gospodarki Japonii*, „Monografie i Opracowania” 1984, No. 153, SGPiS, p. 38–39.

²⁹ J. Borowski, *Koncepcje teoretyczne konkurencyjności międzynarodowej*, „OPTIMUM, Studia Ekonomiczne” No. 4(76) 2015.

³⁰ T. Dołęgowski, *Konkurencyjność instytucjonalna i systemowa w warunkach gospodarki globalnej*, Warszawa 2002, p. 90.

competitiveness of the economy, but nevertheless they are an important aspect of it³¹. In the competitiveness reports issued annually by the World Economic Forum (WEF), the institutions were included in the group of key factors (referred to as the base), that testify to the state's competitive position.

Authors of the World Economic Forum report will present the ranking of countries based on the evaluation of the so-called *global competitiveness index* – GCI. They take into account macroeconomic conditions of the country, quality of public institutions and technological advancement. Computed methods are used to calculate this indicator, but it is one of the most important and commonly used synthetic indices for measuring the international competitive ability. Method used by the authors of the report is to characterize each country by means of several dozen indicators, which belong to the resultant and factor measures, giving them appropriate weights and rank according to the weighted sum of these indicators. In 2008 ranking in the general classification, Poland was ranked as 53rd. The top ten of this classification included 5 European countries: Denmark (3), Sweden (4), Finland (6), Germany (7), The Netherlands (8)³². However, distribution of the GCI index included in the “Global competitiveness report 2017–2018”³³ informs that Europe is still the leader of competitiveness, because in TOP 10, as many as 6 countries are from this continent. The competitiveness of Europe as a continent is basically based on a group of the most developed economies. However, there is a significant diversity of development and, as in previous years, a relatively worse situation in the south of Europe. Poland is ranked 39th in the ranking. In the assessment of the XII fundamentals of the GCI in 2007–2017 (I. Institutions, II. Infrastructure, III. Macro Environment, IV. Health and Elementary Education, V. Higher Education, VI. Efficiency of Goods Market, VII. Efficiency of Labor Market, VIII. Development of Financial Markets, IX. Technological Openness, X. Size of Market, XI. Complexity of Business, XII. Innovativeness), there has been the systematic decline in Institution Ratings (FI) observed for several years. Low ratings of institutions, which significantly determine the competitiveness of economies, result, among others, from:

- excessive regulatory burden,
- poor transparency of procedures,
- insufficient level of social trust and procedural transparency.

Values of the competitiveness fundamentals according to the GCI 4.0 index for Poland in 2017 indicate high assessment of the macroeconomic environment, low assessment of the innovation potential and, unfortunately, weak institutional layer and efficiency of the labor market. The diagnosed distribution of barriers to the development of Polish economy for

³¹ J. Campbell, O. Pedersen, *Institutional competitive in the global economy Denmark, the United States and the Varieties capitalism*, “Regulation & Governance” 2007, Vol. 1, issue 3, p. 232.

³² *The World Competitiveness Yearbook 2009*, <http://www.weforum.org>.

³³ P. Boguszewski, D. Mirowska-Wierzbička, *Globalny raport konkurencyjności 2017–18 Światowego Forum Gospodarczego*, Warszawa September 27, 2017, pp. 18, 21–23, 31, https://www.nbp.pl/aktualnosci/wiadomosci_2017/GCR2017-18.pdf. It is based on the EOS questionnaire addressed to members of supervisory boards and boards of enterprises participating in the survey. The respondents are asked about the situation in the country, not in a particular company. In 2017, the survey was conducted in 148 countries on a sample of approximately 14,000 respondents. The final assessment of the country – the global competitiveness index (GCI) - is a multi-level weighted sum of answers to individual questions and results of the so-called hard assessments of the country (mainly some macroeconomic characteristics). The study uses 150 variables.

this period indicates, among others, the following (according to the hierarchy of importance):

- tax regulations,
- excessive fiscalism,
- barriers to labor law,
- instability of economic policy,
- inefficient public administration,
- employee qualifications,
- access to finance,
- systemic instability.

Among the strongest barriers to the competitiveness of the Polish economy in 2017, following were listed: tax regulations (complexity of the system), excessive fiscalism, labor law barriers and instability of economic policy. This is confirmed, among others, by the results of research published by the Ministry of Development. They show that the main barriers hindering the introduction of new technologies in manufacturing companies from the MŚP sector are primarily formal and official difficulties, i.e. bureaucracy (40.6% of indications of the surveyed companies), lack of incentives from public authorities (36.7%), as well as unfavorable tax solutions (33.9%). In turn, for 15% of respondents, the barrier to implement the new technologies is the lack of sufficient skills of the staff. Less than 10% of respondents indicated the need to ensure stable legal regulations (8.2%)³⁴.

These are areas that require important reflections and practical actions for institutional modernization that provides economic order indispensable in the process of strengthening and developing not only Polish companies, but all stakeholders positive effects of economic development. These issues are raised by Zybała A. when he writes that “Low-quality legal provisions are accompanied by deeply rooted tendency to regulate in detail all the actions performed by state institutions or their participation, meticulous formulation of orders and prohibitions addressed to citizens, companies or public institutions. There are attempts to describe any circumstances that may arise during the implementation of the policy / programs. This is different approach to law-making than, for example, in Anglo-Saxon countries, where the law only sets the area of activity in a frame. It leaves a large area for public administration and policy stakeholders.” The author also indicates that the aim of modernization activities should be to increase the ability to use instruments that would allow the state and society to act effectively on a meso and micro scale, not only on a macro scale, i.e. on the levels of operation of the entire policy sphere³⁵.

³⁴ *SMART INDUSTRY POLSKA 2017, Adaptacja innowacji w działalności mikro oraz małych i średnich przedsiębiorstw produkcyjnych w Polsce*, Raport z badań, Ministerstwo Rozwoju/Siemens, Warszawa 2017, p. 56, 57, 59, http://www.przemysl-40.pl/wp-content/uploads/2017/05/raport_smart_industry_polska_2017.pdf.

³⁵ A. Zybała, *Wokół potrzeby modernizacji struktury instrumentów polityki publicznej*, „Studia z Polityki Publicznej” 2017, No. 1(1)2017, Szkoła Główna Handlowa, p. 49, 51, 54, http://kolegia.sgh.waw.pl/pl/KES/czasopisma/kwartalnik_szpp/Documents/instrumenty_polityka_publiczna_zybala.pdf.

Table 2. Competitiveness index for Polish regions in 2016 in the area of Institutions – Basic Dimension group

Region	RCI 2016 0-100	GDP per head (PPS) EU28=100 Score Rank	Institutions 0-100 Score Rank	Basic dimension 0-100 Score Rank
Łódzki	37.5 181/263	62 221/263	36.9 195/263	46.9 205/263
Mazowiecki	50.5 150/263	108 80/263	36.4 199/263	51.2 186/263
Małopolski	42.4 171/263	60 228/263	39.3 186/263	53.6 170/263
Śląski	43.2 170/263	70 199/263	35.2 203/263	51.3 185/263
Lubelski	33.5 197/263	47 251/263	38.0 190/263	45.5 208/263
Podkarpacki	31.2 204/263	47 250/263	36.7 197/263	48.5 197/263
Świętokrzyski	34.2 194/263	49 245/263	37.5 191/263	47.1 202/263
Podlaski	29.7 211/263	48 246/263	41.1 177/263	48.6 196/263
Wielkopolski	35.3 190/263	72 195/263	38.1 188/263	50.6 188/263
Zachodniopomorski	32.7 198/263	56 235/263	39.5 184/263	48.0 198/263
Lubuski	31.6 202/263	56 236/263	40.8 179/263	47.7 199/263
Dolnośląski	38.8 177/263	75 184/263	35.2 203/263	46.8 205/263
Opolski	31.0 205/263	54 240/263	42.8 169/263	51.0 187/263
Kujawsko-Pomorski	29.7 211/263	55 239/263	42.4 171/263	47.5 200/263
Warmińsko-Mazurski	29.4 215/263	48 248/263	40.0 182/263	47.2 202/263
Pomorski	38.7 179/263	65 214/263	40.8 179/263	50.2 190/263

Source: own study based on http://ec.europa.eu/regional_policy/sources/docgener/work/rci2016_scorecards.pdf.

Barriers to the development of European economies are also presented in a Regional Competitiveness Index (RCI) published in 2010 in Europe (every three years – the last report from 2016)³⁶. The index includes 263 regions of the European Union. In the first,

³⁶ P. Annoni, L. Dijkstra, N. Gargano, *The EU Regional Competitiveness Index 2016*, WP 02/2017, http://ec.europa.eu/regional_policy/sources/docgener/work/201701_regional_competitiveness2016.pdf.

basic group (Basic Dimension), among others, the quality of operation of key state and regional institutions is verified. Generally, this group is made up of factors treated as essential and fundamental for the socio-economic development of the region, i.e. institutions, macroeconomic stability, infrastructure, health and basic education. Poland ranked 16th in the European Union in terms of regional competitiveness.

Detailed results for Polish regions in the Institutions area are presented in Table 2.

In conclusion, it should be emphasized that one of the basic factors for development of creativity and improvement of region's competitiveness are the institutional environment and institutional density. Institutional density or institutional concentration in the region results from its organizational and institutional level. It affects the participation and place of the spatial unit in functional relations with the environment. Its degree can generate, among others:

- opportunities to use external benefits appearing in the environment,
- tendency to innovate and to cooperate both on the basis of exogenous and endogenous sources,
- climate conducive to the inflow of foreign direct investment,
- new sources of regional competitiveness – learning regions, innovation clusters, etc.

Conducted research on the institutional density of regions, including in Finland, Scotland and the Cambridge region, prove that an extensive and coordinated institutional system contributes to the development of a knowledge-based economy, the flow of innovation, development and knowledge transfer³⁷. We believe that such research on institutional density should be more widely undertaken in Poland, the results of which would enable defining the directions and degree of intensity of institutional modernization and improving the competitiveness of the country and regions.

5. FINAL CONCLUSIONS

Authors of the present study pointed out the most important challenges facing individual economies and regions at the beginning of the 21st century, while underlining the importance of the sequence of connections and feedback between institutional modernization – the system and institutional transformation – and the international competitiveness of the country and the region. Paying special attention to institutional modernization, the authors stated that:

- modernization processes require full engagement on the partnership basis of all entities operating both at the micro and macro level, including in particular local government, business and research,

The EU regional competitiveness index (RCI) is used to measure various dimensions of competitiveness at a sub-national level. It was created based on the assessment of over 70 parameters affecting the final level of competitiveness. The index shows data for 263 regions in the EU.

³⁷ K. Stachowiak, *Czynniki instytucjonalne w budowaniu i funkcjonowaniu gospodarki opartej na wiedzy – przykład Finlandii* [in:] *Region społeczno-ekonomiczny i rozwój regionalny*, (ed.) J.J. Parysek, T. Stryjakiewicz, Poznań 2008, p. 146–147, also M. Danson, E. Helińska-Hughes, G. Whittam, *Dyskusja o instytucjonalnym otoczeniu sektora MSP w Szkocji – wnioski dla Polski*, „Studia Regionalne i Lokalne” 2001, No. 2–3(6), p. 36–38.

- institutional environment and institutional density are of significant importance for development of creativity and improvement of the competitiveness of the country and regions,
- improving the competitiveness of Poland and its regions (their positions) requires overcoming the obstacles, which include tax regulations (complexity of the system), excessive fiscalism, barriers to labor law and instability of economic policy,
- undoubtedly, this requires accelerating the modernization processes in shaping the more efficient and effective institutional order (system).

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MODERNIZACJA INSTYTUCJONALNA A KONKURENCYJNOŚĆ GOSPODAREK

Zagadnienie modernizacji, w tym modernizacji instytucjonalnej, jest tematem skomplikowanym ze względu na jego interdyscyplinarny charakter, jak również zakres czasowy, przestrzenny, podmiotowy i przedmiotowy. Głównym celem artykułu jest prezentacja modernizacji w ujęciu ewolucyjnym w odniesieniu do modernizacji instytucjonalnej i jej wpływu na konkurencyjność gospodarek europejskich, w tym gospodarki polskiej. Cele zostały osiągnięte przy użyciu metody badawczej Desk Research. W artykule wskazano na najważniejsze wyzwania stojące przed poszczególnymi gospodarkami i regionami na początku XXI wieku oraz podkreślono znaczenie sekwencji powiązań i informacji zwrotnych między modernizacją instytucjonalną – transformacją ustrojową i instytucjonalną, jak również podkreślono międzynarodową konkurencyjność kraju i regionu. Końcowe wnioski wskazują, że konkurencyjność Polski i jej regionów (ich pozycji) wymaga pokonywania barier, w tym przede wszystkim przepisów podatkowych (złożoność systemu), nadmiernego fiskalizmu, barier w prawie pracy i niestabilności polityki gospodarczej.

Słowa kluczowe: modernizacja, konkurencyjność, instytucje, gospodarka.

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