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Choice of the model of economic development for Russia and long waves¹

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1. Intermediary sector and models of market economy

In the modern research of economic development large attention is given to the comparison of different models of market economy. It is known, that the institutional structure of the Russian economy contains elements from different models of market economy. Which model of market economy is necessary for Russia? This question is far from the decision till now. It is possible to search the answer to this question by different ways. One of the approaches - analysis of a rational configuration of intermediary sector in the economy.

Special attention to the financial intermediaries (stock exchanges, investment funds, commercial and investment banks) in many respects is explained by the fact that the quality of financial services has crucial importance for formation of new firms, industrial expansion and economic growth. As it is known, the financial system helps to transform savings in the investment. Thus it contributes to accumulation of capital and distribution of new technologies. The roles the financial system carries out, rendering the following groups of services: a) mobilization of

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savings; b) risk management; c) distribution of the investments; and d) manager action control.

The organization of a financial intermediary in many respects defines basic features of different models of the market economy. The speech goes about the bank-based (Japan, Germany) and stock-market-based (USA) models. These models are realized not in the pure type. Nevertheless, it is possible to say, that in the market-based model the financial intermediaries gravitate to serving of portfolio investments and to support the market of the corporate control (market of mergers and acquisitions). In the bank-based model the leading role belongs to the commercial banks. They, however, are not limited only to mediatorial functions. Here banks take active part in development and realization of long-term priorities in investment policy: manufacture crediting. A close connection exists between models of the market economy and the characteristics of business - groups (corporate groups) in the economy. Financial and industrial groups (FIG), which include the industrial companies and commercial banks, represent some kind of the visiting card of the bank-based model.

The problem of rational distribution of intermediary roles between the stock market and bank system is one of the central problems in formation the strategy of development for the Russian economy, in a choice of the model of market economy adequate to domestic conditions. This choice also determines principles of organization of the investment processes. The complexity of such a choice is caused not only by the character and inertia of the previous development and achieved level of efficiency of market institutes. This choice should take into account necessity of the adaptation to non-uniformity of economic development, to its wave laws.

2. Rapprochement of intermediary systems and negative effects of their unification

The modern research of the factors of economic growth show, that in the advanced market economies a great importance has interaction of all institutes of the financial intermediary (Demirgüç-Kunt and Levine, 1999; Beck, Demirgüç-Kunt, Levine and Maksimovic, 2000). The commercial banks and the advanced market for the shares appear as complementary structures. The economic growth depends on a general level of development of a financial system and quality of financial services. At the same time, mutual influence of the components of a financial system amplifies in the process of their development and is capable of giving ambiguous results.

On the one hand, the liquid stock market provides an opportunity of estimation and sale of business, i.e. fixing an economic achievement (Beck and Levine, 2000). It strengthens investment motivations, scales of use of the involved resources, including the bank credits. Thus, the advanced bank system supports investment stimulus of the stock market. On the other hand, the banks are inclined to low risk, that can brake innovations and economic growth (Morck and Nakamura, 1999; Weinstein and Yafeh, 1998).

The formation of the liquid stock market favours using the shares as a pledge under the bank credits and thus raises capacity of bank system. However, the advanced security markets are characterized by the fast adaptation of the prices to the new information. It limits the opportunities of extraction the profit from such information. As a consequence, the stimulus to perspective innovation projects (Stiglitz, 1985; Boot, Greenbaum and Thakor, 1993), to mobilization of the own and involved capital for realization of these projects become weaker. Besides in the liquid markets the investors can easily sell the shares. The interest of the investors to strictly control the managers is

reduced (Shleifer and Vishny, 1986; Bhidé, 1993). Therefore crediting of corporations becomes more risky.

The research of the factors of economic growth make draw a conclusion that at a high level of development we can observe rapprochement of models of market economy. The basic question - whether this rapprochement means unification of models of economic development? In other words, whether the originality of models of market economy has temporary character or it provides comparative advantages to the different countries? In the latter case the competition of models of market economy can proceed in historical prospect. It does not exclude using some experience of alternative models.

The following circumstance attracts attention. During the recent years a number of the industrial countries (including Japan and USA) with different models of economy have appeared in a situation of financial crisis. It can be ascertained, that the crises took place after the certain rapprochement of models of economy in organization of intermediary sector (Дементьев, 2002a).

The limiting of state intervention in the economy and bank regulation of investment processes has been observed in Japan since middle seventies. The investments have lost national strategic orientation. The investments in speculative actives (shares, real estate) have increased sharply. In the beginning of 1990 the economy got in a trap of a financial bubble. The experience of a number of other countries confirms, that the warming up of economy with the help of exchange mechanisms is fraught with traps of growth such as financial bubbles (Дементьев, 2002b).

In the USA 1990's - period of strengthening of bank influence on investment processes. The reconsideration of the Glass-Steagall Act in 1996 has resulted in increasing (with 10 up to 25%) limits of the incomes of commercial banks, which can be received from operations with securities. The rough growth of the American stock markets

followed this reconsideration. By the end of 1990 years the financial bubble had arisen.

Such consequences of rapprochement of institutes of financial intermediary justify the sceptical relation to a hypothesis about unification of models of market economy. Prospects of unification of intermediary sectors are not obvious even under conditions of the advanced market economies. The comparison of various configurations of intermediary sector, when the market institutes still pass a stage of formation, is especially lawful.

3. Historical conditions of a configuration of intermediary sector

The comparative advantages of models of market economy are potential properties. The realization of these advantages depends on state structural policy, size of own investment resources of the companies, an acuteness of a competition of innovations, historical traditions of the country, in particular, traditions in legal sphere, character of technological development (catching up or leading).

Such dependence proves to be true by real development of the USA and Japan economies. The bank intermediary in combination with active state industrial policy played such a significant role that the Japanese economy demonstrated advantage in rates of technological updating till 1980 years (Глазьев, 1993). At the end of the last century the USA already appeared as the leaders of formation of «new economy» (Сергиенко, 2003).

The concrete historical conditions of the business bargains determine a level of transaction costs, connected with these bargains. Intermediary sector - manufacturer and seller of reduction of transaction costs services. At the same time, the intermediary activity can promote both decrease, and growth of transaction costs down to blocking the bargains (Казбакова, 2001; Казбакова, 2002). As it is known, in framework of the institutional theory the criterion of rational organizational structure is the minimization of the sum of transaction costs and transformation costs of a

neoclassical type (Williamson, 1985). Such approach is also acceptable in at the comparative analysis of various configurations of intermediary sector. The speech can go, in particular, about revealing a rational configuration of this sector through comparison of costs (transaction and transformation) per unit of GDP for the countries in rather close conditions.

The modern theoretical views about formation of financial systems recognize that in rather undeveloped economies banks represent practically all organized financial markets. In particular, the stock and bond markets do not play significant role (Bencivenga and Smith, 1991). Almost all the economies have such a period in their history (Calomiris and Rammirez, 1996).

Unsufficient legal protection of the property rights and contractual obligations, weak information maintenance of the investors are usual phenomena in developing economies. These phenomena render oppressing influence on the activity of the exchange intermediaries. The banks are capable of forcing the clients to disclose information and return the credits even in the countries with weak legal systems, thus supporting financing of industrial development (Rajan and Zingales, 1998).

4. Bank intermediary, character of budget restrictions and quality of the investments

When the bank sector is developed enough, firms have close connections with banks, it is easier to compensate limitation of own means with the help of the credits. Such connections weaken dependence between the investment charges of firms and changes of internal liquidity of the firms.

The differences in investment behaviour of firms having close relations with banks (members of financial and industrial groups) and without such relations, can be seen in the Japanese economy (Hoshi, Kashyap, and Scharfstein, 1991). The investments of the Japanese non-group firms are sensitive to changes of internal liquidity. The similar situation is observed in Russian FIG both before, and after the financial crisis of 1998 (Perotti and Gelfer, 2001;

Volchkova, 2001; Черкашин, 2003). The easing of connection between internal liquidity of a firm and its investment charges is treated as softness of budget constraints of a firm and quite often is considered as basic property of the industrial companies - participants of financial and industrial groups.

However, this reduction of influence of income level on investment activity is a characteristic of separate companies in the FIG, but not of the group as a whole. The analysis of the Japanese business - groups has revealed positive dependence of their investments on a group cash flow (Walker, 2002).

At the same time, the question, how bank intermediation and integration in FIG have an effect on quality of the investments, rises even more often. Actually the speech goes about comparison of regulation of investment flows by banks and by stock market. The claims to bank intermediary are connected to a mitigation of budget restrictions of firms, grouped around the banks. It can have ambiguous consequences in reality.

On the one hand, the redistribution of resources within the framework of FIG is capable of bringing in the positive contribution to realization of the group interests (Stein, 1997). Thus the intergroup credits are more cheap than credits from the outside because the price of the credits takes into account information asymmetry among the external creditors and borrowers and higher agency costs (Jensen, 1986). The internal crediting reduces costs connected with imperfections of the capital markets.

On the other hand, the presence of soft budget constraints weakens motivations of separate firms to profitability growth, raises the price of mistakes in definition of strategic tasks of group, reduces the influence of the current market conjuncture on the investment decisions.

Study of the investment policy of the Japanese firms during 1993-1998 years has allowed to conclude, that the

grouped firms in comparison with independent show higher investment activity in industries with low values of Q. It misses the recommendations of the Q-theory, suggested by James Tobin. The situation is opposite in industries with high values of Q (Walker, 2002). Thus, the grouped firms were guided by Q-criterion for acceptance of the investment decisions to a less degree, than independent companies in the considered period.

Q is the ratio of stock market value of a firm to the replacement cost of its capital. It is considered, that as Q contains an estimation of actives of firm by the stock market, all assumptions of its owners concerning the future of firm are concentrated in this variable (Hay and Morris, 1991).

Correctness of application of such a criterion to the investments, ability average for different branches Q to characterize prospects of growth of the given branch is not indisputable (Chevalier, 2000). When the financial bubble grows ripe, Q-values appear under influence of hazardous demand on the shares, and the branch differentiation of Q-values appreciably signals about a degree of risk of the appropriate investments. At the same time the guarantees are absent, that the opportunities of intergroup redistribution of resources at a withdrawal from orientation on Q-values will be used for concentration them in the projects with the best investment prospects.

As it was said, the doubts in efficiency of bank intermediary are based on the fact that such intermediary is connected with soft budget constraints. Character of budget constraints is estimated, proceeding from sensitivity of the actual investments to a cash flow. The distinctions between desirable and actual levels of the investments are not considered. Such principle of estimation is subject to criticism (Kaplan and Zingales, 1997).

The decrease of sensitivity of the actual investments to a cash flow can be a display not of softness, but rigidity of

budget constraints. First, the large credit debts of firms can become an obstacle for investment use of a cash flow. Secondly, the refusal of investment activity can be dictated by discrepancy between accessible volume of resources and necessary for achievement an efficient scale of production. The weak connection between actual level of the investments and a cash flow in the submitted situations is a consequence of rigidity of the budget constraints.

As a more correct approach it is offered to estimate character of these constraints, how the cash flow influences a ratio between preferable to firm and actual levels of its investments (Huang, 2002). If the increase of a cash flow helps their rapprochement, the budget constraints is rigid.

The involving of investment needs in the analysis of financial intermediary deduces on a question on dynamics of these needs. The certain answer to this question is given by the theory of long waves of an economic conjuncture¹.

5. Intermediary sector and long waves

The intermediary sector helps the adaptation of the economy to long waves of economic activity, during which the radical updating of production and technology occurs. This role the intermediary sector is an important aspect of the analysis of comparative advantages of models of market economy.

At a rising stage of a long wave (in conditions of growth of a market niche of new products and technologies), the race in filling an opening market niche in many respects defines character of economic development. The bank intermediary allows to force formation of new branches, growth of their release at the expense of the bank credits. Such credit support of growth has the greater meaning, the less own resources at the companies weakened, for example, because of war or radical reforms.

¹ For a good survey, see (Freeman, 1996).

On the other hand, the advanced stock market facilitates dump of unpromising actives and concentration of resources in new directions of activity.

When the growth of a market niche is finished (in conditions of approaching the peak of a long wave), the bank intermediary has, basically, certain advantages in anticipatory braking of the investments in capacity of the current wave. Refusal by banks to finance additional capacity creation projects helps to avoid overinvestment in the appropriate branches. The credit mechanism plays a basic role in redistribution of resources in branches of a new wave (Schumpeter, 1934; Маевский, 1997).

However, the mistakes of banks in the forecasting the branch dynamics are capable of strengthening investment inertia, as the opportunity exists for continuation of the large investments with the help of the bank credits. However partnership between bank and real sectors of the economy can serve as the factor of easing of investment inertia. Such partnership strengthens long-term motivations of economic activity. It, in turn, raises attention to long-term laws of economic development.

The fast reorientation of investment flows is a characteristic of the exchange intermediaries serving the portofolio investors. At the same time, the negative investment tendencies reflected in formation of financial bubbles, are also observed at such intermediaries.

In the process of saturation by the investments of manufactures of the current wave the sharp character is got with the problem of using available investment potential. Without wide and purposeful involving it in financing R&D and manufactures of the next long wave much depends on a degree of liberalization of the capital markets. Such liberalization favours this potential is directed to speculative actives, is spent for warming up of the stock market and real estate market. The wide scales are got by export of the capital from the country.

It is lawful to raise the question about rational evolution of intermediary sector within the framework of a long wave. Such evolution can consist of strengthening a bank orientation at a stage of fast growth (stage of rise of a wave) and amplification of market orientation at a stage of maturity (top situation of a wave). The essential meaning for this evolution has also, whether or not there is leading or catching up technological development.

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