

NEW QUALITY OF ECONOMIC GROWTH CONCEPT

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ABSTRACT

Qualitative changes in the structure of economic growth are conditioned by the general objective historical process of social change in its progressive development. The nature of these changes has both a quantitative and a qualitative basis. The new quality of economic growth develops as a result of a qualitative transition, preparing the economy to the new forms of functioning in the process of progressive development of productive forces.

The paper is devoted to presentation of new quality of economic growth concept and description of its nature. The spatial nature of the new quality of economic growth is revealed in the existence of points (territories), where the properties and characteristics of the growth are concentrated. In addition to the spatial dimension, there is a time aspect. The temporal nature of the new quality of economic growth is contained in the irreversibility of global economic development, and the movement of the world economy on the path of scientific and technical progress.

Key words: economic growth, quality of growth, development.

JEL Classification: O40, O47, O57

NEW QUALITY OF ECONOMIC GROWTH CONCEPT

1. Introduction

Economic growth is a change (quantitative movement) of economic essences that have a general basis, and these essences change their qualitative characteristics and properties. These changes promote an establishment of strict laws, capable of remaining invariable for a long time.

Traditional studies of economic growth are based on the works of authors such as E. Domar, J.M. Keynes, V.I. Lenin, K. Marx, A. Marshall, D.N. McCloskey, W. Petty, D. Ricardo, P. Samuelson, A. Smith, R. Solow, R. Harrod, F. Engels, K. Arrow, etc. (Domar, 1948; Keynes, 1993; Lenin, 1977; Marx, 1973; Marshall, 1983; McCloskey, 1987; Petty, 1993; Ricardo, 1955; Samuelson, 1992; Smith, 1993; Solow, 1996; Harrod, 1939; Arrow, 1995). Economic growth is a movement that accumulates quantitative changes first, and as a consequence causes qualitative transformations to occur. Consequently, acquisition of a new qualitative condition by economic growth is an irreversible objective, and a natural process based on achieving a sufficient base level that is endogenously ready for a qualitative leap.

Qualitative characteristics on the subject have started to be investigated rather recently. For instance R.J. Barro in the paper “Quantity and Quality of Economic Growth” (Barro, 2001) noticed that the majority of researches in the field are focused on the analysis of a narrow set of quantitative variables. This author proposes to regard its determinants such as life expectancy, fertility, environmental conditions, income inequality, aspects of political institutions, determinants of crime and religion as the qualitative characteristics of the economic growth. It is also to be noted, that the complete concept describing the mechanism of development of new quality of economic growth (NQEG) has not been established.

2. Development of a New Quality of Economic Growth Concept

Development of NQEG-concept assumes the adoption of dialectically interdependent principles of economic growth: the unity of absolute and relative, continuous and discrete, stability and variability, possibility and validity, allowing the understanding of the dual nature of economic growth, caused by connection of the whole with the internal changes and communication between its parts that is a result of combination of objectively-existing qualitative transitions, representing strengthening of some elements of economic system functioning and gradual absolute and relative weakening of other elements within the limits of existing quality.

Exploring the content of economic growth as a phenomenon, it is advisable to take into account the system of factors affecting the process of economic growth; the goal of economic

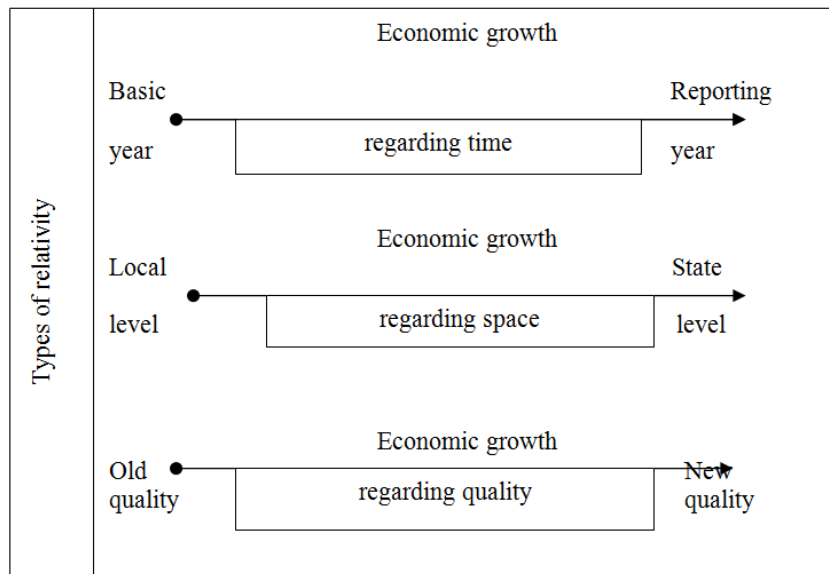
growth, types of growth, its dynamics and contradictions. The major characteristics of economic growth are its factors, which can be characterized as conditions of the growth process. They may acquire a different character depending on the quality of economic growth, we are dealing with. Growth factors constitute the basis of the growth process as they largely determine the level and dynamics of changes, affect the increase in production, determine the type of economic growth, and improve the efficiency of social reproduction.

The system of growth factors periodically varies in space-time coordinates, creating baseline differences in the pace, level and quality of economic growth.

This situation is typical in the periods of model of social reproduction changes, in the process of transformation of the economic system into a qualitatively new state. Thus, during the pre-industrial model of social reproduction natural and geographical factors dominated and determined the type of natural transformation of economic growth. In the industrial model of reproduction one part of the old system factors lost their value, the other factors underwent appropriate transformation and the system was supplemented by new factors that reflected the progress of productive forces. In the postindustrial era qualitative changes of labor take place, society demands a higher level of training and invests in human capital; competition and entrepreneurial ability play a specific role, etc.

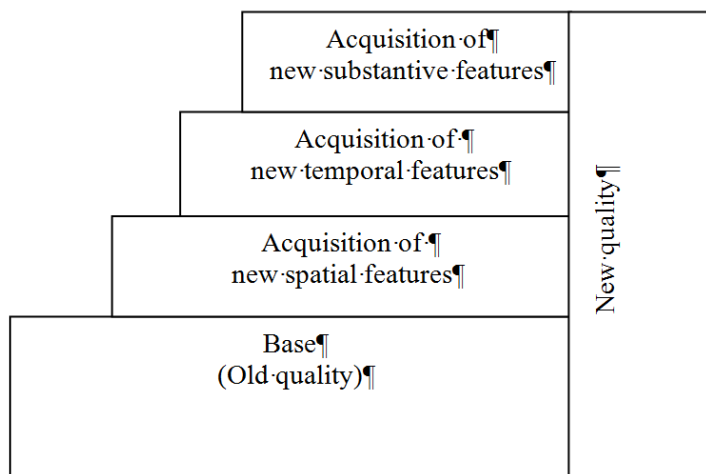
Economic growth, a complicated and complex phenomenon, has a number of quantitative and qualitative indicators reflecting not only economic but also social outcomes. But the ease of measuring economic growth is taken by mistake for its essence. Abstract characteristics of economic growth are its borders: qualitative, quantitative, spatial, and temporal.

The relativity of all these characteristics (Fig. 1) suggests the possibility of growth with regard to space, time and quality.

Figure-1: Types of relativity

Source: authors' design

New quality is a higher state of an object, phenomenon or essence, which has not only additional features but also other spatial-temporal characteristics (Fig. 2).

Figure-2: New quality of phenomenon

Source: authors' design

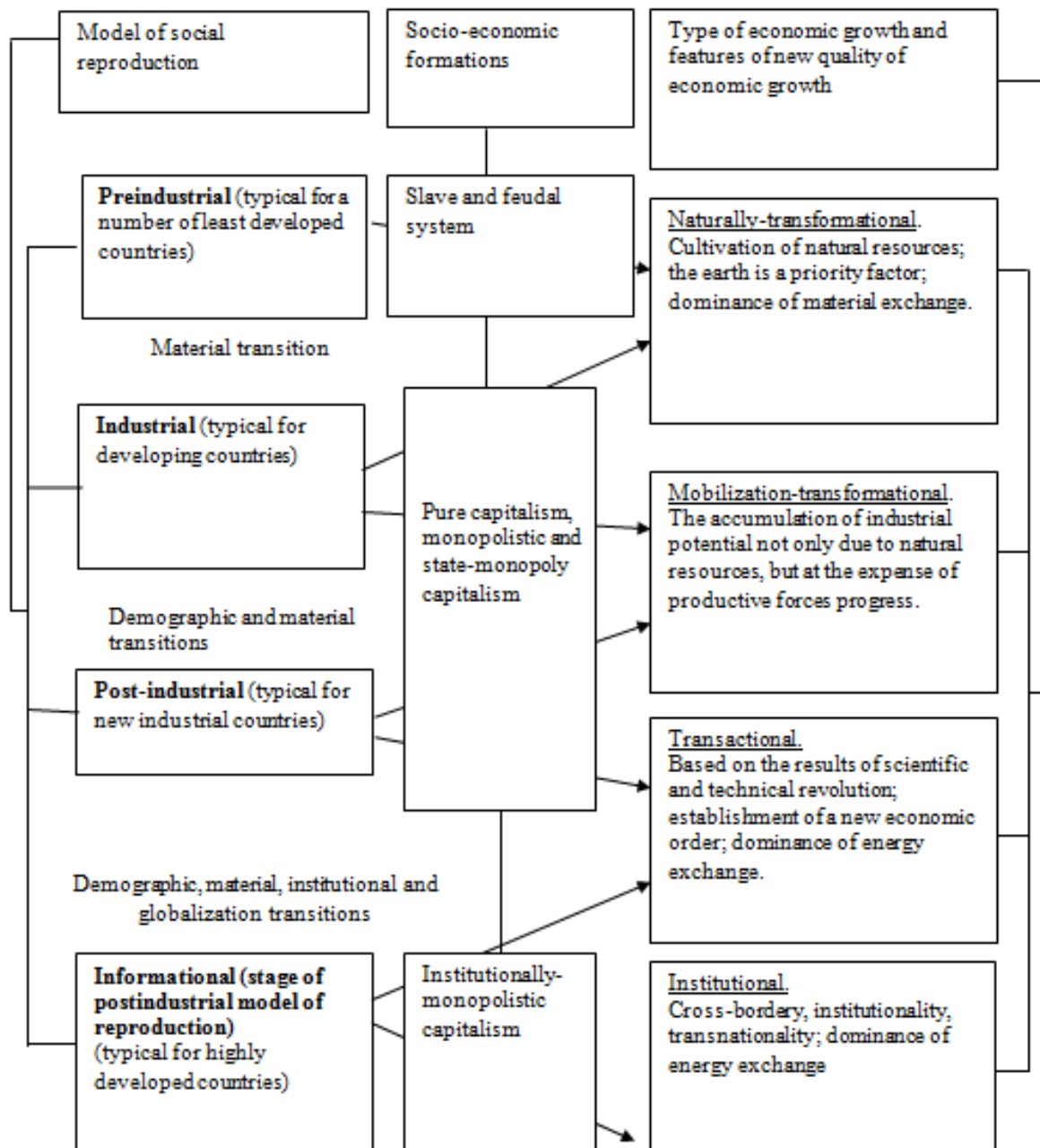
The new quality of economic growth corresponds to each model of social reproduction. Unlike leaping, it develops as a result of a qualitative transition, preparing the economy for the new

forms and methods of functioning in the process of progressive development of productive forces (Fig. 3).

Qualitative transition is a process of transformation of an existing model of social reproduction into other one. Development of productive forces will inevitably cause the destruction of the old quality of economic growth. Transition to a new quality of growth is realized in the process of sharpening, deepening and destroying the old contradiction, which reached a certain level of development. Qualitative transitions from the old model of reproduction to a new, progressive way constitute the life cycle of the entire economic system transformation.

The first and fundamental in economic development type of qualitative transition is material transition. Material transition is a process of accumulation of the results of the material progress of society, generating a series of industrial revolutions. The second basic type of transition is a demographic. But the dialectics of economic development predetermined the emergence of new qualitative transitions generated by the complexity of the economic system. Before the second third of the XX century, there were observed mainly traditional qualitative transitions (material, demographic), but later previously unknown transitions emerged (or, rather, revealed their dominant essence): information, globalization, institutional.

Figure-3: Correlation of social reproduction models with types of economic growth



Source: authors' design

In the development of new quality, except for internal changes, the external environment may play a special role. Transition may not occur, and new quality cannot be developed unless there is an external influence.

Qualitative transition should frequently be ensured by constant support from outside environmental conditions in order not to interrupt the cause-and-effect chain of events.

3. Spatial Nature of the New Quality of Economic Growth

The spatial nature of the new quality of economic growth is revealed in the existence of points (poles), where the properties and characteristics of the growth are concentrated.

Theoretical and conceptual frameworks of investigated objects' spatial concentration are included in the theories of unbalanced development of the world economic system.

K. Marx has revealed a number of aspects of the economic system's internal asymmetry – primarily the impact of the division of labor on the asymmetry between the production factors.

"The division of labor from the very beginning, comprises the division of working conditions – tools and materials; thus the distribution of the accumulated capital between various proprietors, and therefore division between the capital, labor and the various forms of property. The more division of labor develops and accumulation grows, the more this division develops"(K. Marx "The German Ideology") (Marx, 1956).

V. Lenin formulated the "law of unbalanced economic development of capitalism in the era of imperialism" which establishes that the natural and inevitable differences in the level and character of development of various countries, their economic branches and political factors of development, become a source of sharp international contradictions and conflicts in the conditions of monopolistic capitalism..." (Lenin, 1977).

The theory of "poles of growth" of F. Perroux, the "centre-periphery" model of J. Fridman, and the model of innovations diffusion of T. Hagerstrand (Hagerstrand, 1968) have made a significant contribution to the analysis of spatial aspects of economic system development.

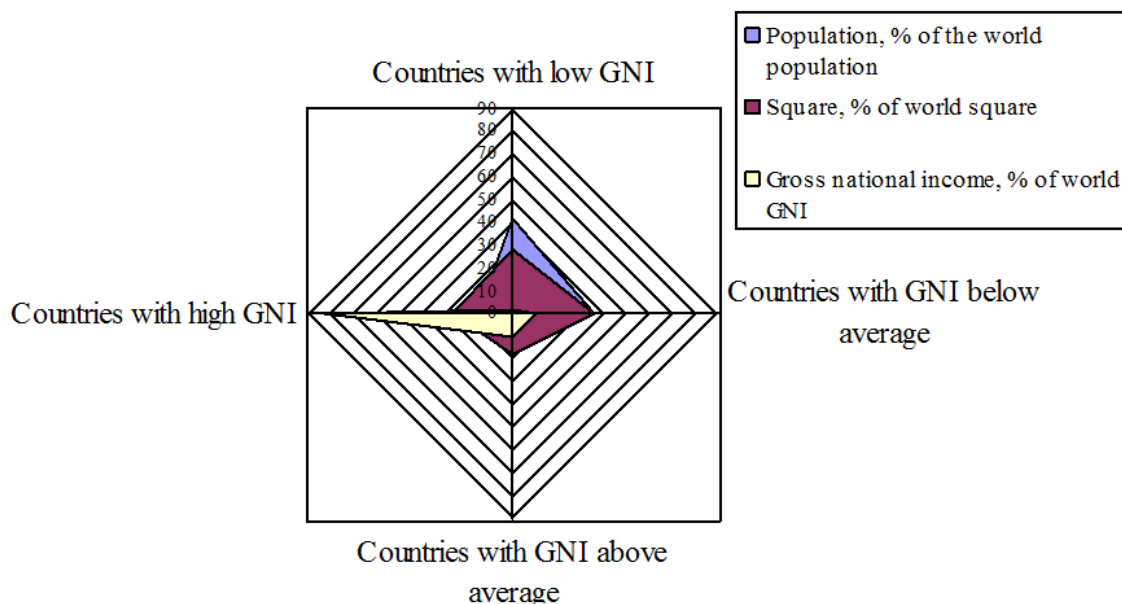
Interest in the problem of economic development polarization is caused by problems of the world economy functioning, among which the problems of developing countries take considerable place.

Within the framework of neo-keynesian school the range of autarkic theories described in the papers of W. Rostow, N. Rosenstein-Rodan, E. Domar, R. Harrod, A. Nelson was developed (Domar, 1948; Harrod, 1939; Nelson, 1956; Rosenstein-Rodan, 1943; Rostow, 1960).

On the question of why some countries are rich and others are poor, institutional theory also gives the answer. It says that "institutions provide the infrastructures with help for which people throughout history have achieved an order and thus have reduced the degree of their uncertainty. Using this technique, they determine the cost of operations and transformations, and hence the profitability and validity of economic activity" (North, 1997). In other words, the institutional changes determine how societies evolve over time, and thus, they are a key to understanding historical changes.

The asymmetry of the world's economic structure can be illustrated using the following graphic interpretation (Fig. 4).

Figure-4: Asymmetry of economic development



Source: calculated by authors, based on (Bolotin, 2001)

The spatial essence of new quality of economic growth appears as a concentration of a maximum number of its properties in a given territorial unit. If you take the most frequently used World bank classification of countries by the level of national income (low-income economies (66 countries), lower-middle-income economies (52 countries), upper-middle-income economies (38 countries), high-income economies (52 countries), high-income OECD members (24 countries))¹, with a certain share of confidence it is possible to say that in each of the presented groups a unique qualitative status exists. Thus, a problem of modern economic growth in its new quality is its spatial non-uniformity.

That is, the problem of modern economic growth in its new quality is its spatial unbalance.

4. Temporal Nature of the New Quality of Economic Growth

In addition to the spatial dimension, there is a time aspect, which brings about substantial changes to the analysis of the phenomenon of the new quality of economic growth. Historic changes are usually considered in terms of formation approach and evolutionary theory. It

¹ www.worldbank.org/russian

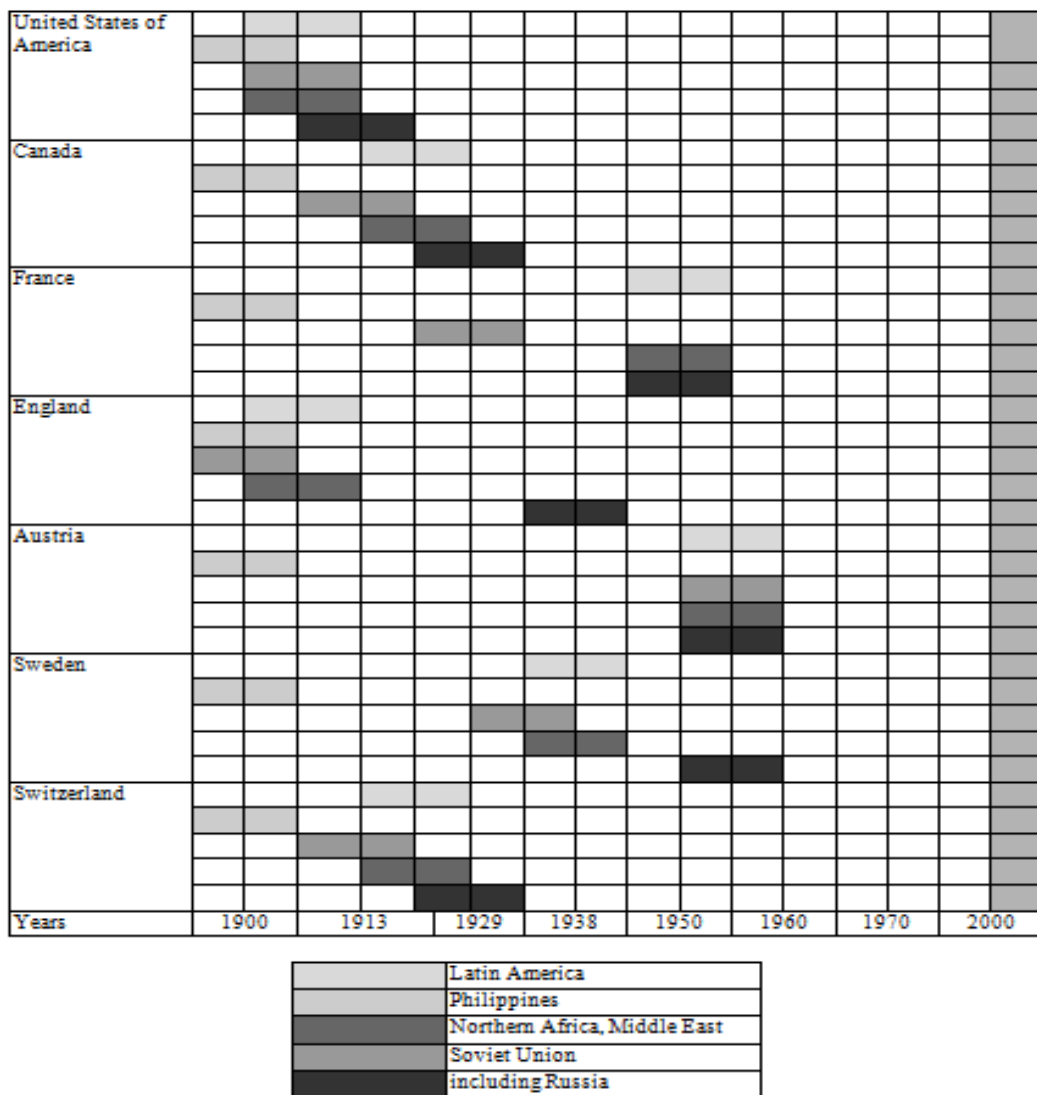
seems to be logical to assume the existence of specific properties of economic growth for each formation, and consequently, the corresponding forms of economic organization.

The temporal nature of the new quality of economic growth is contained in the irreversibility of global economic development, and the movement of the world economy on the path of STSC.

The concept of economic time allows a place to be determined for each country in the evolution of economic growth. Solution of problem of development policy expediency must be based on the analysis of not simply a gap in economic indicators, but a temporal gap.

The temporal development asymmetry of separate countries can be traced, for example, by comparing the levels of GDP per capita in developing and developed countries throughout different periods of time.

According to the authors' analysis for the year 2000, the majority of developed countries have reached a modern level of GNP per capita during the period from 1900 to 1960, having had time for economic modernization (Table 1).

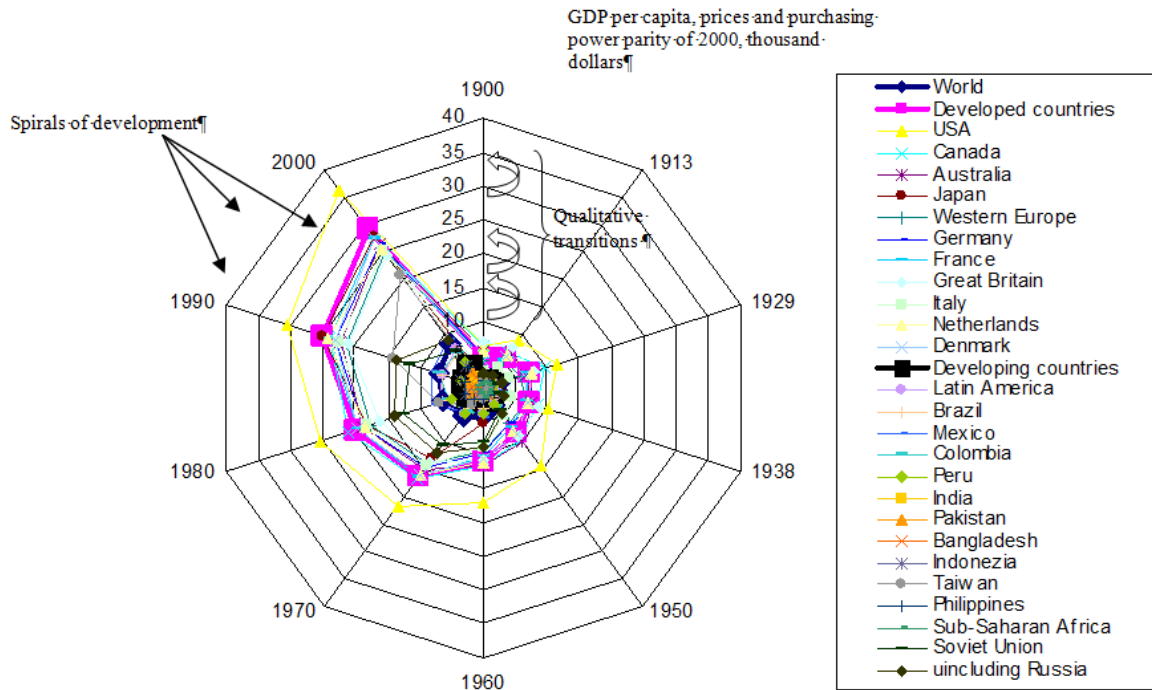
Table 1: The temporal asymmetry of the world economic development

Source: Calculated by authors, based on (Bolotin, 2001)

But, of course, GDP does not reflect the full depth of the temporal asymmetry of the world economy. For this purpose an index of new quality of economic growth can be used (NQEG-index). This index reflects the quality of growth, and includes three components: economic, social and ecological. The detailed method of calculating the index is given in the authors' monograph (Popkova, 2005).

Polarization of the world economy led to the formation of “underdevelopment whirlpools”, representing the system of space-and-time developmental spirals by which countries overcome barriers of “downward spirals of poverty”, while trying to occupy their own niche in the international division of labor (Fig. 5).

Figure-5: “Underdevelopment whirlpools”



Source: Calculated by authors, based on (World economy: Global tendencies over 100 years, 2003)

"The downward spirals of poverty" impede the entrance of developing countries as equal partners in the modern world. Moreover, they are the reason for international isolation, and strengthening of dualism, not only domestically but also internationally. "Underdevelopment whirlpools" occur under the pressure of economic expansion from developed countries, thus creating conditions for their economic and political hegemony, and additional opportunities for development, measured by GNI (GDP) growth per capita.

The temporal parameters of economic growth also provide a description of its qualitative condition. A result of economic growth acquiring a new quality is the deepening of the international division of labour, and the complication of national economic system structures. Achieving a new qualitative level of the quantitative transformation of reproductive structures means the existence of a global, qualitative and transforming essence (mechanism) in the world economy.

Expansion of the global world space has transformed the main objective law of industrial relations compliance with the development of productive forces, opened by K. Marx (Marx, 1973), in the law of the global compliance of developing countries' industrial relations with the productive forces of developed regions of the world.

Effects of this law assume that the developing countries are forced to adjust to the external development of productive forces, importing the productive relations of the developed countries. However a time delay in the development forces the “backward” countries to pass all stages of the Western world development.

Copying of the productive relations, institutions and social technologies leads to strengthening disparities because of the need for extra time to adapt to the imposed relations, contrary to the natural course of evolution.

As R.M. Nureev notes, “In the institutional theory there is a concept of “dependency on the previous development”: the existing system integrity does not allow any spontaneous institutional change” (Nureev. 2001).

At the same time a number of researchers express some opinions about the positive role of retarded development. In particular, to the forefront of scientific debate and discussion in the seventies a theory was constructed on the hypothesis that a less developed society has advantages that allow it to outstrip a more developed society. Supporters of this theory have noticed that societies - pioneers in the development of new techno-economic systems - often have to pay a heavy price for the innovations (the price for the research and development). Nevertheless, the fact that they have become dependent on huge investments in the early stages of technology development is most important. Their more backward competitors did not have to invest in research and development; they simply accepted advanced forms and technologies after their emergence.

In modern conditions such an approach, in our opinion, is not productive as it allows to “conserve” existing problems and does not contribute to the development of economic system of the country. Due to this fact the only exit from “underdevelopment whirlpools” is not a catching up development, but emergence of new development circles on a base of renewed innovation cycle. This conclusion also confirms types of qualitative transitions (information, globalization, institutional) relevant in the present circumstances.

5. Conclusions

Qualitative changes in the structure of economic growth are conditioned by the general objective historical process of the evolution of society in its progressive development. The new quality of economic growth in the modern stage is a characteristic of developed countries which have reached a high level of prosperity due to supply of large-scale financial resources, not accompanied by a decrease in intellectual property, remaining at the disposal of the population.

Resistant features of the new quality of economic growth at this stage, characterized by increasing globalization processes are: cross-bordery (growth crosses national borders, with the emergence of a “second economy”); social orientation (changing the structure of investment towards the dominance of social investment), institutionalization (enhancing the role of international institutions in a “new world order”); and trans-nationalizing (enhancing the role of TNCs to ensure the rate and quality of economic growth of nation-states).

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