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FACTORS OF ECONOMIC DEVELOPMENT: THEORETICAL APPROACHES

The article discusses theoretical approaches to the factors of economic development. These approaches include theories that were created as a result of the search for the causes of differentiation in development rates and that recognize that the most important thing for development is the mobilization of the region's internal potentials. The authors analyze four concepts: New Economic Geography, Evolutionary Economics, Sustainable Development, and Intellectual Specialization. The new economic geography considers spatial relations not as one of many, but as the main factor determining socio-economic processes of growth and development. According to the concept, the main role is played by two internal forces that cause the processes of concentration and deconcentration of human/economic activity, and the result of these forces is the formation and development of agglomeration. Evolutionary economics is one of the most modern theories of economic growth and development. This theory describes economic processes by analogy with evolutionary processes in nature. Three features distinguishing it from other theories are indicated: the concept of equilibrium, the dynamics of processes, and the characteristics of business entities. The concept pays special attention to such properties as diversity, complexity, and uncertainty of socio-economic processes, which are necessary conditions for development and for development. Sustainable development is an extension of the neoliberal paradigm. Economic development is still in the forefront here, but social and environmental factors are taken into account to preserve the foundations of life and development for present and future generations. The subject of sustainable development economics is management in the society-economy-environment system. The concept of intellectual specialization is a new approach in the European Union's policy, which has become a key element of its regional policy. The strategy includes three interrelated priorities: smart growth; sustainable development; and inclusive inclusion. The aim of the strategy is to develop an individual approach for each region in all EU countries to overcome the recession and ensure long-term development.

Keywords: economic development, factors of economic development, theories of economic development.

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ЧИННИКИ ЕКОНОМІЧНОГО РОЗВИТКУ: ТЕОРЕТИЧНІ ПІДХОДИ

У статті розглядаються теоретичні підходи щодо чинників економічного розвитку. Дані підходи включають теорії, які створені в результаті пошуку причин диференціації темпів розвитку і які визнають, що найважливішим для розвитку є мобілізація внутрішніх потенціалів регіону. Авторами аналізуються чотири концепції: «нова економічна географія», «еволюційна економіка», «сталій розвиток», «інтелектуальна спеціалізація». Нова економічна географія розглядає просторові зв'язки

не як один з багатьох, а як основний чинник, що визначає соціально-економічні процеси зростання й розвитку. Згідно з концепцією основну роль відіграють дві внутрішні сили, що викликають процеси концентрації та деконцентрації людської/економічної діяльності, а результатом дії цих сил є формування і розвиток агломерації. Еволюційна економіка належить до однієї з найсучасніших теорій економічного зростання та розвитку дана теорія описує економічні процеси за аналогією з еволюційними процесами в природі. Вказуються три особливості, які відрізняють її від решти теорій: концепція рівноваги, динаміка процесів, особливості суб'єктів господарювання. Особлива увага в концепції приділяється таким властивостям як різноманітність, складність, невизначеність соціально-економічних процесів, які є необхідними умовами розвитку і для розвитку. Сталий розвиток є розширенням неоліберальної парадигми. Тут так само економічний розвиток на чільному місці, але беруться до уваги ті соціальні та екологічні чинники, які дозволяють зберегти основи життя та розвитку сучасних і майбутніх поколінь. Предметом економіки сталого розвитку є управління в системі «суспільство – економіка – навколишнє середовище». Концепція інтелектуальної спеціалізації – це новий підхід у політиці Європейського Союзу, який став ключовим елементом його політики щодо регіонів. Стратегія включає три взаємопов'язані пріоритети: розумне зростання; сталий розвиток; інклюзивне включення. Метою стратегії є вироблення в усіх країнах Європейського Союзу для кожного регіону індивідуального підходу щодо виходу з рецесії з подальшим забезпеченням довгострокового розвитку.

Ключові слова: економічний розвиток, чинники економічного розвитку, теорії економічного розвитку.

Introduction. In the foreign and domestic literature, economic development is mainly interpreted as follows: "it is irreversible, directed and natural changes in the economic system of society. Economic development is associated with significant changes in the structure of productive forces, the technological basis of society, socio-economic relations, and institutions" [1]. Modern analytics closely links economic changes with changes in the social sphere and the natural environment at different spatial levels – local, subregional, regional and national. Measures that shape the necessary economic changes at all levels set the path for the development of the country's economy. Therefore, an urgent problem is the need to develop adequate methodological tools for managing economic processes and economic development in general on the basis of theoretical justification of the necessary changes, understanding the nature and essence of development.

Materials and methods. A. Gałązka names the goals that scientists set for themselves when creating theories of socio-economic development: "This is, on the one hand, an attempt to describe the observed phenomena in a generalized way, and on the other hand, an attempt to identify the factors/mechanisms that cause changes" [2, p. 10]. We are talking about factors that allow us to influence the socio-economic reality in order to change it in the desired direction. Factors can be simple/one-dimensional (e.g., technological infrastructure, education, modern technologies), or complex, which are a synergistic combination of simple factors (e.g., in the form of a development strategy based on the implementation of a number of individual policies, in particular, entrepreneurship development, use of social capital, etc.).

A significant contribution to the development of economic development theories was made by such foreign scholars as D. Bell, I. Wallerstein, E. Gaidar,

J. Galbraith, J. Keynes, M. Kondratiev, L. Mises, E. Toffler, M. Friedman, E. Hansen, J. Schumpeter. Among Ukrainian scholars, M. Tugan-Baranovsky, O. Alimov, Y. Bazhal, A. Galchynsky, V. Heets, S. Danylyshyn, S. Dorohuntsov, I. Lukinov, L. Shynkaruk, and others have studied the impact of economic changes and developments on the development of the economy, including the national economy. However, it must be stated that current development trends require a deeper understanding and systematization of the theoretical results obtained and their generalization for further use in the practice of economic management. The list of problematic issues includes the identification of factors of economic development at the country/regional level.

Discussion. The purpose of our study is to analyze the most popular modern theoretical approaches to the factors and mechanisms of economic development.

We have identified and analyzed four modern concepts (theoretical approaches): New Economic Geography, Evolutionary Economics, Sustainable Development and Intellectual Specialization. The group of theories under study, according to E. Nowińska-Łażniewska [3, p. 12], includes theories that were created as a result of the search for the causes of differentiation of development rates and which at the same time recognize that the most important thing for economic development is the mobilization of internal potentials of a particular region.

New Economic Geography (P. Krugman). This line of thinking, which takes into account primarily the spatial aspects of socio-economic development, crystallized on the basis of an analysis of the shortcomings of neoclassical theories based on the R. Solow model. After all, real-life research has not confirmed the widespread diffusion of development and convergence of socio-economic structures on an interregional and international scale, as well as the

effect of the mechanism of marginal income reduction in the long run [2, p. 49].

In the last decades of the twentieth century, new theoretical approaches to the spatial aspects of socio-economic development emerged within the framework of economic geography. One of the creators of such theories is P. Krugman [4], who stated more than a quarter of a century ago that it was time to consider spatial aspects as a major factor in economic development. The complexity of the real socio-economic situation at the turn of the twentieth and twenty-first centuries meant that spatial relations were considered not just one of the many factors that determine growth and development, but the main factor that determines socio-economic processes. This symbolizes a qualitative change in theories of growth and development.

According to the theory's proponents, the main role in spatial interactions is played by two internal forces that cause the processes of concentration and deconcentration of human activity, including economic activity. The result of these forces is the formation, development and disintegration of agglomeration. In the case when, from the point of view of the subject of socio-economic activity, the benefits of localization and urbanization are higher than the negative impact of the agglomeration process, we are dealing with the phenomenon of concentration of activity. In the opposite case, there is a deconcentration of economic activity. In the described models, the state of investment in the region in the past has a significant impact on the system as a whole [2, p. 50].

For P. Krugman, two simple ideas were the starting point. The first was that rising revenues and transportation costs are significant and consistently affect each other, forming a regional logic of agglomeration. All other things being equal, producers try to locate production closer to suppliers and consumers. In general, they all want to be close to each other. The second idea is related to the fact that some resources are immobile, such as land and, in many cases, labor. This immobility "works" as a centrifugal force that counteracts centripetal agglomeration tendencies. The confrontation between centrifugal and centripetal forces forms the spatial dynamics of the economic structure [5, p. 23].

Based on these ideas, P. Krugman created his own simplified model of socio-economic space: 1) in the case of industry, the localization (placement) of production depends on economies of scale (it should cover as few places as possible) and transportation costs (the location of production is as close to the buyer as possible); 2) in the case of agricultural production, where there are no economies of scale, it should be located closer to the buyer, i.e. concentrated in many places. If the profit from the scale of industrial production significantly exceeds

the cost of delivering goods to the most distant buyers, then industrial production is concentrated. If, at the same time, there is a relative decline in the importance of agricultural production, then we are talking about a general process of concentration, i.e. not only concentration of production but also concentration of demand, mainly due to the migration of workers. This increases the influence of agglomeration forces. In this way, an "industrial center" and an "agricultural periphery" are formed.

In general, all variants of the model clearly indicate the objective advantage that the processes of concentration of economic activity have over its dispersion. This advantage usually leads, if not to polarization, then at least to a clear spatial differentiation of socio-economic development. From the point of view of explaining spatial differences, the described model of agglomeration objectively indicates the presence of forces of concentration or deconcentration of economic activity, which are determined by specific measurable benefits received by economic entities. To counteract these forces, it is necessary to eliminate these benefits, for example, through high financial costs [2, p. 51].

Evolutionary Economics – (R. Nelson, S. Winter, G. Dosi, J. Metcalfe) is one of the most modern theories of economic growth and development, although the "father" of this theory is rightly recognized as the Austrian economist of the first half of the twentieth century J. Schumpeter.

In general, Evolutionary Economics is an economic concept that aims to describe economic processes by analogy with evolutionary processes in nature. Researchers most often point to three features that distinguish it from other theories: the role of the concept of equilibrium, the importance of dynamic processes and the characteristics of business entities [6, p. 171].

The subject of Evolutionary Economics is the processes of change in economic structures, which are considered in the long term in the context of rapidly progressing complexity and diversity in technology, organization and behavior of "economic players" trying to adapt to rapidly changing socio-economic structures. The main object of cognition is the motives of human involvement in economic activity. The principles of economic development, the essence of economic activity and the mechanisms that govern this activity are analyzed using the tools of the natural sciences. Unlike "classical economics", the theories covered by the concept do not abstract the economic sphere from the system of socio-economic influences. They recognize the influence of many factors on economic activity, including psychological, cultural, sociological, climatic, political, and technological. In addition, they analyze the economic process from the point of view of dynamics, namely, the attempt to achieve a state

of equilibrium, from which the system is constantly being brought out by various factors [2, p. 52].

Below, based on theoretical reviews [2, p. 51–57; 6; 7], we will briefly outline the main provisions of the theory.

The concept pays special attention to such properties as diversity, complexity, and uncertainty of socioeconomic processes, which are necessary conditions for development and for development. Studying the motives of economic players' behavior is an important factor that explains economic mechanisms. The uncertainty of business entities' activities is related to the achievements of the current moment and the ever-growing complexity and variability of the environment in which they operate. Uncertainty is also exacerbated by the lack of full access to information about the changing determinants of development. It is generally believed that economic actors cannot optimally and rationally adapt to changing conditions. Rational behavior is significantly limited by risk aversion. Producers and consumers prefer not to take risks, but to behave as they have done before, rather than trying to maximize the profits or benefits that the changes of the present dictate.

Another important component that indicates the existence of objective barriers from the point of view of rational economic behavior is the so-called technological trajectory. It is related to the fact that any innovative behavior, if considered in dynamics, is a set of various "technical" conditions for organizing the innovation process. In addition to these constraints (conditions), the real technological trajectory also includes obstacles that arise during the implementation of the innovation process. They are formed by the environment – non-market factors and market mechanisms.

The concept of competition is viewed from the perspective of rivalry between entities, where the benefits go to those who are better able to adapt to changing conditions. In social and economic life, this happens through the use of innovation in its broadest sense.

Growth and development policy within the framework of the concept is based on different principles than in "pre-evolutionary" theories. When developing their own policies, economic actors do not have complete information about all the conditions in which they operate, and therefore cannot program measures that optimize growth and development, but only try to adapt existing mechanisms to the changes that are observed. In fact, policy is formed by trial and error. Therefore, it is necessary to constantly monitor the consequences of this policy. To a large extent, these consequences depend on the complexity of processes, instability, economic uncertainty, and barriers to the rational functioning of the socio-economic system.

When considering a development strategy, evolutionary economics pays special attention to the environment (represented in technological trajectories). This means that it is necessary to take into account the possibility of implementing those changes that are objectively necessary and possible to implement in terms of development processes. If the goals of the strategy are not included in the list of expectations of the environment, their implementation is impossible.

The concept also takes into account the problems of possible blocking of changes by specialized higher-level socio-economic structures that determine the functioning of regions. After all, often the long stay of regional environments within the old structures (production system, investments, knowledge, network of economic and institutional ties) and adaptation to them can block the implementation of any transformations. This can be clearly seen in the case of peripheral regions, where state and self-government bodies are particularly dependent on previously formed socio-economic structures.

It should be noted that evolutionary economics deals neither with the process nor with the consequences of individual decisions made by participants in socio-economic activity. It deals with the results of these decisions, taking into account numerous constraints and all their complexity and diversity, which is often random in nature [2, p. 55].

The concept of *Sustainable Development* expands and improves the neoliberal paradigm, but it is not an alternative that denies its essence. It also places economic development in the forefront and views it primarily as economic growth. However, the concept of sustainable development takes into account those socio-economic factors and their interrelationships that ensure the so-called sustainable environmental and social development "taking into account the needs of future generations, in particular the use of non-renewable and almost renewable resources" [2, p. 13]. The concept of sustainable development is a continuation of the neoliberal paradigm in the sense that it sets new development goals related to the sustainability of the ecosystem, as well as a new market, the object of which is the sale and purchase of emissions into the environment [8, p. 20]. In other words, the subject of sustainable development economics is management in the society-economy-environment system. In other words, the concept of sustainable development introduces a new philosophy in which the human duty is to manage the natural environment, which allows to preserve the foundations of life and development of both present and future generations. Here, the main task of management is not profit, but maintaining the sustainability of socio-economic development, while profit is only one of the indicators of economic activity.

The concept assumes that the source of environ-

mental threats is production technology. Proponents of the concept believe that assessing the negative impacts of production is a necessary incentive to develop measures aimed at protecting the environment, and that the emissions rights market is the most effective means of reducing emissions. It should be emphasized that overexploitation of the environment is also directly related to the level of consumption and lifestyle, not just technology [8, p. 16].

The concept of *Intellectual Specialization* is a new approach in EU policy, which was introduced by the European Commission in 2010 and published as a separate document "Europe 2020 – A Strategy for Smart, Sustainable and Inclusive Growth" and which has become a key element of EU policy towards the regions. The strategy includes three interrelated priorities [9, p. 244]: smart growth (developing an economy based on knowledge and innovation); sustainable development (based on efficient and environmentally sound use of resources); inclusive or comprehensive inclusion (supporting a high employment economy, ensuring social and territorial integrity). The aim of the strategy is to develop an individual approach for each region in all EU countries to overcome the recession and ensure long-term development. The strategy requires each region to choose a specialization, which is a set of clearly defined priorities based on the region's strengths and weaknesses, its innovation potential, the existing infrastructure of industrial, scientific and technical cooperation, and the direction of the economy in areas where it will have competitive advantages.

From the theoretical point of view, the theory of intellectual specialization is a combination of different development theories that considers the factors of development with regard to the processes of continuous change and adaptation of the development profile to rapid civilizational changes. The ideas of the concept were developed by D. Foraya and experts from the Knowledge for Growth group, which conducted research within the European Research Area. The experts tried to identify the reasons for Europe's low competitiveness in the international arena, paying special attention to research and innovation. The researchers concluded that the main reasons for the low level of European competitiveness are related to the excessive fragmentation of investments and the lack of coordination of research and innovation by stakeholders. In addition, in many regions, instead of taking advantage of the results of previously implemented projects in other regions, similar projects were often repeatedly implemented and measures were introduced that did not even meet regional capabilities and needs [10, p. 85].

The concept is based on four assumptions [11, p. 14]: 1) to create such a network of research and innovation that would provide the ability to compete with a large number of entities (Euro-

pean Research Area); 2) the process of identifying intellectual (smart) specialization should not be too bureaucratized or too broad; it should focus on those areas of science and innovation that are related to the socio-economic conditions and resources of the region; 3) the content of the concept of "intellectual specialization" is determined by the so-called general-purpose technologies that form the development opportunities, not Therefore, the socio-economic development of countries/regions [10, p. 90] should be determined by investment priorities, which in a rapidly changing environment require careful planning, updating and verification. At the same time, the free choice of development paths is carried out taking into account the maximum effect within the allocated funding. Intellectual specialization requires real interest from both the authorities at all levels (EU, country, region) and from scientists and business, based on their close cooperation.

Results. The study is devoted to the analysis of theories of economic development. The group of theories under study includes theories that were created as a result of the search for the causes of differentiation in the pace of development and that recognize that the most important thing for development is the mobilization of the internal potentials of a particular region. Four concepts are analyzed: New Economic Geography, Evolutionary Economics, Sustainable Development, and Intellectual Specialization.

The New Economic Geography considers spatial relations not as one of many, but as the main factor that determines socio-economic processes of growth and development. According to the concept, the main role is played by two internal forces that cause the processes of concentration and deconcentration of human activity, including economic activity, and the result of these forces is the formation, development and disintegration of agglomeration. Evolutionary Economics describes economic processes by analogy with evolutionary processes in nature. Researchers point to three features that distinguish it from other theories: the role of the concept of equilibrium, the importance of dynamic processes, and the characteristics of business entities. The concept of *Sustainable Development* is an extension of the neoliberal paradigm. It also emphasizes economic development, but it takes into account those social and environmental factors and their interrelationships that allow preserving the foundations of life and development of current and future generations. The concept of *Intellectual Specialization* is a new approach in EU policy that has become a key element of its regional policy. The strategy includes three interrelated priorities: smart growth; sustainable development; and inclusive inclusion. The aim of the strategy is to develop an individual approach for each region to overcome the recession and ensure long-term development.

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