

## New Quality of Economic Growth at the Present Stage of Development of the World Economy

<sup>1</sup>E.G. Popkova and <sup>2</sup>V.I. Tinyakova

<sup>1</sup>Doctor of Economics, Chair “World Economy and Economic Theory”  
Volgograd State Technical University, Russia

<sup>2</sup>Doctor of Economics, Chair “Informational Technologies  
and Mathematical Methods in Economy” Voronezh State University, Russia

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**Abstract:** The article deals with the specific features of the modern stage of development of the world economy, content and factor structure of economic growth and preconditions of its changes. The author analyzes the new quality of economic growth at the present stage of development of the world economy and displays the characteristics of a new quality of economic growth in different countries.

**Key words:** Economic growth • New quality • Development • Modern economy • World economy

### INTRODUCTION

Each system has its own economic way of social reproduction, which has a different structure of the productive forces. In this case, each new round of economic spiral adds to the already existing structure of a number of elements that are fundamental for the development of this period. So, in an agrarian society structure of the technological mode of production can be presented as follows: physical abilities of the person, hand tools, natural factor. In industrial society machinery and electricity are added to the existing structure.

Qualitative change is the transformation of one mode of social reproduction to other. Development of productive forces is bound to cause the destruction of the old quality of economic growth. Transition to a new quality carries out during the process of worsening and deepening of old conflicts that are destroyed after reaching a certain level of development.

Each new stage of development of the productive forces is always higher, richer and more complex than the previous one and exceeds it by its capabilities and results. Qualitative change emerging under the influence of the progress of productive forces keeps everything positive, enduring and progressive that was in the old process of social reproduction, and improves and develops it setting a new quality level and thus prepares its successors.

### Preconditions of Changes of Content and Factor Structure of Economic Growth of the World Economy:

The current trends generally indicate a gradual shift in society's life to the priority of socio-cultural factors. Role of science, knowledge and information grows. A. Toffler and G. Galbraith actually state the increase of the role of science as a productive force in a developed, as well as the importance of information as an independent factor of successful development of modern economies.

Theorists of post-industrial society consider scientific and technological progress as the key factor in the development of economy and society in general. “Technology, i.e., development and application of scientific and systematic knowledge to practical problems, is central feature of modern economic development”, said Galbraith [1].

The mechanism of change of formations by Karl Marx is as follows: “At a certain stage of their development the material productive forces of society come into conflict with the existing relations of production. From forms of development of the productive forces these relations turn into fetters. Then an epoch of social revolution begins” [2].

In fact, the change of formation occurs with the change of the dominant form of ownership. Since, Marx considered the contradiction between the social character of production and the private capitalist

appropriation of its results as the main antagonistic contradictions of the bourgeois mode of production, so the basic condition of future successful economic structure of society hedges the shift to public ownership.

The question, whether a change of form of ownership of the means of production is the defining moment in the qualitative change, is open. For example, both in China and Yugoslavia, while maintaining the dominant position of state ownership there have taken place the significant changes in the pricing mechanism, management and coordination of activity of economic agents.

Consequently, the main driving force, having direct impact on the quality changes of economic growth as a result of social reproduction, is innovative development of the productive forces through scientific and technological progress. Simon Kuznets in 1966, telling about the modern economic growth, he defined it as "long-term (continuous) improvement of product per capita or per worker, often accompanied by population growth and "radical structural changes of the multidimensional nature" controlled by "epoch-making innovations", which consist of "conversion of science to the problems of economic production and material meeting the needs" [3]. He defined scientific and technological progress as the driving force of new quality of economic growth, providing growth of income a per capita, as well as facilitating dramatically structural changes.

Undoubtedly, STP determines the quality of economic growth for all modes of social reproduction, affecting the old quality of economic growth. However, qualitatively changing the STP (at present - STR) leads to a restructuring of the economic system, bringing innovative forms of organization of social reproduction on the priority positions.

Every society creates its own specific circles of development as the elements of its own evolution. The next step is the integration of these communities into the environment, creating of environment, mezospaces, further embedded in a single space of globalization. According to the methodological premises of E.G.Kochetov, "with access to the world stage every national economy faces with such parameters of global economic development, the account of which determines the answer to the fundamental question: Will the national economy fit into the global economic system" [4].

### **Specific Features of the Modern Stage of Development of the World Economy:**

A characteristic feature of the present stage of development of the world economy is the introduction of information technologies, creating new qualitative cooperation of technic and technology, of economic relations and of forms institutional and social ties. As a result the synergistic effect is triggered when the same amplitude of the various cycles: of the technical and technological, resource and energy, capital, financial, socio-economical and informational [5]. Information cycle reflects the way of thinking and the way of working with information: its collection, processing, production, storage, updating, protection, transfer, exchange and use of appropriate information.

The structure and form of social wealth change. Natural-proprietary and valued forms go to the base of the general framework of created and produced wealth, which closes the top of the informational, socio-cultural and human wealth. Wealth of information has a very specific use value. "The cost established by knowledge, by its nature, requires highly subjectivized society, otherwise it cannot get proper recognition" [6].

In connection with the transition to the information mode of social reproduction the major changes have occurred in all areas, which must be considered by public, scientists and politicians.

First, the information has become an independent resource of particular value and a very distinctive from traditional industries manufacturing process, form of organization and management. The share of the information sector in the past 15 years has grown and is about 45-65% [7] in the developed countries. Reproducibility, infinity, time certainty - three features that make information resource fundamentally different from other resources that make significant changes in the system of relations, the price measurement and other. The researches on the inventory of industries in the modern, semi-traditional and traditional, based on their role in techno-economic development, are relevant today.

Second, the information and information sector is the most powerful source generating the current socio-economic development, dynamics and growth. This complements the modern theory of endogenous economic growth. Already in 2000 in the industrialized countries, information factor was 50-75% of value added [8]. Analysts estimate the value of GDP produced by U.S. workers with educational level of 10.5, 12.5 and 14 years.

It turned out that the third group provides more than half of GDP. Similar studies conducted in Russia, have shown that people with higher education, making up 25% of workers, produced 56% of the national income [9]. The development of the new economy has necessitated the search for new aggregate indicators that reflect not only the cost economic performance, but also the accumulated potential of the economy that do not fall into the market system evaluations, but having social significance, describing the opportunities and conditions for growth and development.

The condition of the transition of economic growth to the next level is the purchase the latest new high-quality content through a qualitative transformation of the factor structure of economic growth. At the same time, changes in the quality of economic growth are consequences of the economic restructuring of the system. Exactly the structure that is defined by the relationship between the elements of the system is a measure of qualitative and quantitative transformation of modification of transformation and economic growth.

In this case, the concept of structure reflects the most significant relationships that provide stability of properties and functions of economic growth as a procedural integrity. Dynamic changes of economic growth as a system are invariant of its behavior that remains unchanged in its behavior at any given segment of time.

At the present stage of development of society a new quality of economic growth is caused by a significant change in the structure of the world economy in time term. During the XX century, real GDP all over the world has grown almost 18 times, the volume of agricultural products - nearly six times. But its share has decreased three times. In developed countries, these figures were, respectively, 15.7, 4.3 and 3.6 times. The share of agriculture in the production of developed countries more than half the world's total production.

Due to this share of manufacturing and construction rises steadily. There is also a sustainable development of services, including financial ones. The share of financial and other services in the GDP of developed countries and all countries of the world by the year 2000 amounted to 46.3 and 42.5% in the U.S. - 48.2%, in the UK - 44.3%, Japan - 39% Germany - 32.4%.

The change of the proportions of the Russian economy is going in the same direction. The share of agriculture is just below the world and is 5%, the share of industrial production - more than twice the service - almost half of the world. The share of all services in the

middle of all the countries has exceeded half of its GDP more than a hundred years ago, while for individual countries and groups of countries, and it is now still in a fairly wide range limits. Thus, according to the above data, in Russia for the researched period, it ranged from 57 to 38%, degrading from global positions on the quantity and quality of this part of the production [10].

The new quality content of economic growth is connected with the changes in the proportions of the economic system. At the present stage it is connected with the shift structure of the main macroeconomic indicators in the direction of development of new fields and industries. This is primarily due to the increase in the standard of living in developed countries, and as a consequence of the increasing demand for services, the development of all types of transport, stimulating international mobility of both entrepreneurs and the public, the emergence of new forms of communication, including satellites, allowing to replace personal contacts sellers and buyers, accelerate the process of widening and deepening of the international division of labor, which leads to the formation of new businesses, primarily in the non-manufacturing sector.

The largest volume of capital is concentrated on the lead-sectors (aerospace industry, production of computer and office equipment, pharmaceutical and medical industries). It reached 18% in the OECD countries (varies from 11% in Finland to 34.5% in Japan) to the 1995-2000 years. The largest companies operating here, total capital of which reaches two-thirds of the cost of largest companies in the world.

During the predominance of production of the fifth technological structure in developed countries (1980-1997) annual growth of high-tech products (6%) was in average twice more than the average annual growth rate of production of other manufacturing sectors, exceeding 10% to the end of this period. This led to significant structural changes in the economy. The proportion of high-tech industry, a substantial part of which is the production of high technology, increased [10].

As noted above, the content of new quality of economic growth is determined by the factor structure of economic growth; the prevalence of certain factors determine at what stage of the transition is a quality company in its economic development. The growing number of areas of change in certain areas of the economy requires not just a qualitative change, but contributes to change the factor structure of economic growth that is both a goal and a means of economic development.

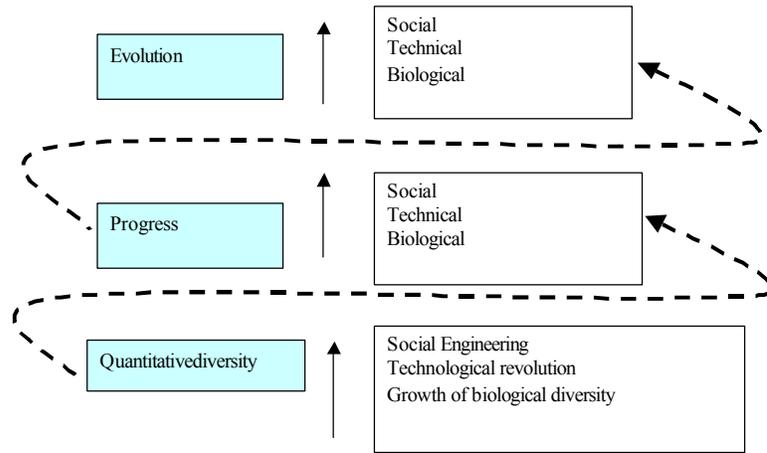


Fig. 1: Transformational map (author).

Table 1: Characteristics of factors (author)

Parametres	Factors			
	Agricultural transformational	Industrial transformational	Transactional	Institutional
Performance	law	middle	high	high
Efficiency	law	middle	high	high
Accounting of contribution of a factor in the result of social reproduction	simple	complex	Very complex(not completely defined)	Very complex (not completely defined)
Transparency of contribution factor on the outcome of social reproduction	opened	closed	Very closed	Very closed
The hierarchy of dominance	land	capital	information	institutes
	labor	land	social technologies	information
		labor	labor	social technologies
			capital	labor
			land	capital
			land	

**Qualitative Change in the Structure of Economic Growth at the Present Stage of Development of the World Economy:**

A qualitative change of the structure of economic growth is a consequence of the overall objective historical process of movement of society in its progressive development. To illustrate the dynamics of transformation we can build the enlarged transformational map (Fig. 1).

This map allows us to distinguish three types of factor structures of economic growth: the pre-industrial (prevalence of natural transformation factors), industrial (prevalence of mobilization and transformation factors), post-industrial (prevalence of transactional factors) and informational (the prevalence of institutional factors).

The first group of factors related to the pre-industrial type of business organization (agricultural way of life), followed by perfection of agricultural tools, knowledge and skills.

The second group of factors is presented in an industrial type of business organization. They are involved in social reproduction, increasing the efficiency of the real and personal labour together with the transformation of agricultural factors.

Transaction factors as noted above contribute to a more coherent, effective organization of transformational factor structure. They do not replace and do not substitute the action of the two previous groups, contributing to the synergistic interaction between the two. For a more comprehensive explanation of the essence of their relationship we present the following table (Table 1).

Stable features of the new quality of economic growth at the present stage, characterized by increasing globalization processes are: cross border (output growth beyond national borders, the emergence of the “second economy”), social orientation (changes in the structure of

investment towards social dominance of investment), institutional (increasing the role of international institutions in the organization of the new world order); transnationality (strengthening the role of TNCs to ensure the pace and quality of economic growth of the nation-states). The new quality of economic growth at the present stage is characteristic only of the developed countries that have achieved a high level of well-being due to the inflow of large-scale financial resources that are not accompanied by a decrease in the volume of intellectual property retained by the people.

A characteristic feature of the new quality of economic growth in developed countries is the strengthening of the role of the “second economy”, by TNC expansion into foreign markets. The limited growth within national boundaries is replaced by the property straddling. The new quality of economic growth of western countries is based on the fact that they are the main recipients and donors not only of FDI, but also goods, services, as well as the basis for the development of the global financial market. Because of this, they can compensate the problems of development of the domestic economy and the effects of the global financial crisis with the help of the “second economy”, that is, participation in the global process of reproduction by transferring economic growth beyond national borders.

In turn, the instability of the economic growth manifests precisely in developed countries that do not have a strong “second economy”, for example, a number of European countries (France, Germany, Italy). In order to ensure the stability of economic growth in developed countries, the EU seeks to do this by expanding the number of united Europe. Its new members - former Eastern European countries and former Soviet republics are designed to serve the economic growth of the “old” Europe, acting as a “second economy”.

In another region of the world - Japan, the cause of stagnation in the 1990s, was a closed economy, which did not allow its timely adjust from exports to import of FDI (as defined shape economic expansion) and the inflow of FDI. The volume of outward FDI stock in relation to the domestic economy in Japan is very low compared to other developed countries. It should be noted that in the near future we can expect the expansion of Japanese FDI in the global market and increase the inflow of FDI into Japan as it became one of the foundations of the “new openness policy” launched by Prime Minister Junichiro Koizumi, along with the active inclusion of Japan in the geopolitical processes.

Thus, FDI in the beginning of the XXI century becomes not just optional, but an essential factor of successful economic development for the developed countries. FDI turned into the inner factor of economic growth of developed countries, becoming a base for their “second economy”. Quality and rates of economic growth of developed countries is determined by the degree and nature of their involvement in the global reproductive process, the mechanism of which is FDI.

So, FDI become the primary mean of competitive struggle for markets among developed countries in the world economy. Since the major FDI flows are now circulating in the developed countries, in the near future the nature and quality of the world economy will determine the two centers of power - the U.S. and the EU. Japan cannot compete with them on equal terms, so it will have to share the lead in the East Asian power center with China, creating a parallel integration association with the countries of Southeast Asia and Korea, where it will become a leader by the expansion of its FDI to these countries.

## CONCLUSION

The modern economy is very different from working in the XIX century, and the self-improvement and self-realization of the individual as the motive and purpose of the activity play the key role in it. The creative nature of contemporary practice has a huge, central importance for explaining the current level of production and living standards in the most developed countries.

The new quality of economic growth at the modern stage is manifested in change of management of human resources. The modern management turns from strategy of subordination and control to strategy of engagement and partnership. With increasing globalization the role and importance of international financial institutions increases, while the basic functions performed by these institutions are undergoing the significant changes.

In the globalizing world economy, multinational corporations increasingly contribute to the growth of international production. The expansion of international production systems is driven by a specific combination of factors that have different effects in different industries and in different countries.

The main locomotives are the three forces. The first force is liberalization of policy: opening up of national markets and the introduction of free treatment for all types of FDI and forms of business organization with no equity.

The second force is rapid technological progress with its rising costs and risks, which forces companies to strengthen its activities in international markets and allocate these costs and risks. The third force, which is a consequence of two previous ones - is the growing competition.

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