

## Key Problems of the Exclusion of Economic Systems on New Quality of Economic Growth

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**Abstract:** Article is devoted to definition of key problems of a conclusion of economic systems on new quality of economic growth. Authors analyze a current state of world economy, reveal relationships of cause and effect of a disproportion of its development and define problems of its decrease within a conclusion of economic systems lagging behind in development to new quality of economic growth.

**Key words:** Economic system • Economic growth • "Backwardness funnel" • Differentiation of economic development • Economy disproportion

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### INTRODUCTION

According to J. Friedman, the economic space is the system in which power distribution unevenly and reflects the prepotent relations of an unequal exchange between the cities and regions. The center functions independently; the periphery depends on the center and it generates streams of resources (the capital, work and raw materials) from the last to the center that accelerates its growth, slowing down periphery growth.

**Problem of Polarization of Economic Development:** Interest to a problem of polarization of economic development is caused by problems of functioning of the world economy among which one of key places was occupied by problems of developing states. Within the neokeynesian direction a number of autarkic theories of the backwardness described in works of U.Rostou, P. Rosenstein-Rodan, E.Domar, R. Harrod, A.Nelson was created [1].

On a question why one countries are rich and others are poor, the institutional theory answers. It is that "institutes create basic structures by means of which

people throughout all history achieved about and thus lowered degree of the uncertainty. Using equipment, they determine the cost of operations and transformations and, therefore, profitability and validity of economic activity" [2]. Differently, institutional changes define how societies develop in time and, thus, are a key to understanding of historical changes.

Welfare of society and degree of economic disparity impose essential restrictions on a form, structure and efficiency of property as bases of economic system. "Center" actively influences "periphery" and creates economic spaces in which it reserves the leading role in scales of the world economy, relying on results of NTP. Unevenness of economic development of the countries is confirmed by the following figures: the countries with low level of the income form only 3,4% of world VND, occupying thus 25% of the world space with the population making 40,8% from the world. Developed countries with high level of the income, occupying 24% of the world space with the population making 15,6% from world, form 80% of world VND. At this VND per capita the advanced countries are 62 times more, than the same indicator in the countries with low level of the income.

Table 1: Evolution of the relations center periphery by J. Friedman [6]

Stage	Structure
I	System of the local kernels possessing a certain zone of influence
II	Formation of the main kernel forming of the others the periphery
III	Transformation of the monocentric organization to the polycentric
IV	Activization of the intermetropolitan periphery, counter "spread" of kernels. Transition from polycentric system to the polyareal

The system" ... at all does not look for balance and is obsessed with expansion. It cannot be quiet while there are any markets or resources which are not involved yet in its orbit ... There cannot be a doubt that finally everything is reduced to profit and the wealth, expressed in money" [3]. However known antiglobalist David Korten noted that the purpose of development of society" ... is not global economic growth. The purpose is harmonious life" [4].

#### Asymmetry in Structure of the World Economy:

The spatial essence of new quality of economic growth is shown in concentration of the maximum quantity of its properties in this or that territorial unit [5].

The modern form of asymmetry of quality of economic functioning extends at various spatial levels. It is explained by transition of economic system from the lowest form to the highest on the basis of territorial labor division.

Asymmetry of functioning of economic systems at global level as the highest form is based on the lowest forms of asymmetry of development of economic system, includes them, but is not reduced to them, possessing a certain material specificity.

Transformation of global space consists in emergence of the new center within the old industrial center. In these conditions there are two centers. The old center turns into the semi-periphery as unity of the center and the periphery.

The modern form of asymmetry of development of economic system creates all preconditions for further polarization of levels of economic development of the countries. The general development of forms of asymmetry is partly expressed in the scheme of formation of the relations the center periphery by J. Friedman (Tab. 1) [6].

Except spatial aspect there is an aspect time, making essential changes in the analysis of a phenomenon of new quality of economic growth. Historical shifts are considered usually from the point of view of formational approach and the evolutionary theory. It is represented logical to assume existence of specific properties of

economic growth for each formation and, so and forms of the economic organization corresponding to them. Similarly the description of transformation of economic growth from positions of the evolutionary doctrine (from traditional factors to more and more non-material, noneconomic) looks also. Using of all variety of approaches complicates a task of the formal analysis of economic growth, its reference to a class, type, the look, the most corresponding to its essence. But the impossibility of application of especially quantitative analysis leaves unresolved problems of high-quality changes.

The temporary essence of new quality of economic growth consists in irreversibility of world economic development, movement of the world economy on the way of NTP. The concept of economic time allows to define a place of each country in evolution of economic growth. The solution of the problem of expediency of policy of catching-up development has to be under construction on the analysis not simply lags in economic indicators, namely temporary lag. In philosophy there is a parable about Akhill and a turtle. The sense of a parable consists that the runner who ran out though for an instant after a turtle, never will catch up with it in time. As far as good practice of this parable in the economic analysis of the world economy? The question remains open.

Temporary asymmetry of development of the certain countries can be tracked by means of comparison of the gross domestic product levels per capita developing and developed countries during the various periods of time.

Result of asymmetries in formation of new quality of economic growth in the different countries is deepening of the international labor division and complication of structure of national economic systems. Finishing of quantitative transformation of reproduction structure to new qualitative level speaks about existence in world economy of the global qualitative transforming beginning (mechanism).

Expansion of global world space significantly transformed the basic objective law of compliance of relations of production to a level of development of the productive forces, opened by K.Marks, to the law of

global compliance of relations of production of developing states to the productive forces which have developed in developed regions of the world. Action of this law assumes that the developing and backward countries are compelled to be arranged under external development of productive forces, importing the relations of production which have developed in developed countries [11]. However temporary lag compels the lagging behind countries to take place all stages of development of the Western world in development. Copying of relations of production, institutions, social technologies leads to gap strengthening in connection with need for an extra time for adaptation to the imposed relations, contrary to a natural course of evolution. But as R. M. Nureev notes "In the institutional theory there is a concept "dependence on previous development": existing system integrity allows at all any spontaneous institutional changes.

Besides, spontaneous development of cultural, informal institutes happens very slowly. Therefore "not - the West" should design, invent ideology of post-industrial modernization; the death of "not western" civilizations as independent economic and cultural systems can be alternative only. So, it is possible to draw a conclusion that for break to "the wonderful new world" it is necessary to follow the motto: "Knowledge above all, but ideology above knowledge". If the new ideological base, allowing to combine a collectivism and creativity, increase of education of the people "not - the West" is not designed will provide only "Evramerika" with free talents to which there was no place in the native fatherland" [7].

Polarization of world economy caused education of "backwardness funnels", existential circles of development representing system on which carry out country movement, breaking barriers of "vicious circles of poverty", trying to occupy own niche in the international labor division. "Backwardness funnels" interfere with occurrence of developing states as equal partners in the modern world community. Moreover, they are at the bottom of the international isolation and strengthening of dualism not only within the country, but also on the international scene. "Backwardness funnels" arise under pressure of economic expansion of the developed states creating thus conditions for the economic and political hegemony that promotes emergence of additional opportunities for their development, VND (gross domestic product) measured by growth per capita [12].

**"Institutional Traps":** The only exit from the too globalized "backwardness funnels" – not catching up development and education, origin on the basis of a new innovative cycle of new circles of development. Characteristic feature of new quality of economic growth is formation of a new innovative cycle which, being projected, forms additional circles of development.

From the point of view of the institutional theory the considered phenomenon is characterized as "institutional traps" or "effects of blocking", representing "the inefficient steady norms (institutes) having self-replicating character"" [8].

"Institutional traps" exist in the most various spheres of economy: in the property relations, in monetary and monetary systems, in real production sector, etc. At the same time in the majority of the traps considered in theoretical works is absent dynamic a component – economic growth is considered regardless of rates of development of the countries and the regions leading in this direction. As result – the purposes of economic development have catching-up character and do not consider perspective changes in levels of economic growth and, therefore and competitiveness of the certain states and regions in comparison with each other in the future [9].

Overcoming of these obstacles is possible on the basis of tools using "backwardness funnels". "Backwardness funnels" reflect themselves the mechanism of loss by the certain regions/the states of opportunities for development owing to a time lag and need of opposition to negative impact of globalization.

In this regard a main goal of the concept of new quality is creation of the modern socially oriented and effectively adjustable market economy promoting increase of a level of living of the population, to gap reduction between real payment and labor productivity, disproportion eliminations between payment and results of work, to creation and maintenance of conditions of strengthening of market model of economy of development [10].

Key problems of a conclusion of economic systems on new quality of economic growth are:

Modernization of social and political institutes. Barrier to progressive development of Third World countries, according to the concept of G. Myrdal, it is caused mainly by domination of archaic, obsolete institutes and the views penetrating all system of social, economic and spiritual life. From the Myrdal's point of

view, for all segments of the population of the Southern Asia lack of a sense of responsibility for observance of elementary labor discipline, accuracy and punctuality is characteristic. Superstitions are still strong, there is no fast reaction to all new and the adaptation to it. There is no spirit of the ex-recop, ambition, enterprise, an initiative. In psychology of the population prevail humility before the authorities, backwardness of ability of the population to collective actions. All this will paralyze technical and economic modernization, reduces its efficiency and, therefore, conducts to increase in a gap in level of the countries advanced and backward.

Myrdal considers that crucial importance for successful technical and economic development has a basic change of backward social and political institutes. Only undertaking at the same time and in parallel with technical and economic modernization of a measure for an eradication of the outdated views dominating in psychology of the people, it is possible to achieve progress. He sought to prove that only deep reforms in the field of control over growth of the population, distribution of suitable lands for processing and also in the field of health care and education can cause fast economic development of the countries of South East Asia and the solution of acute social problems of the region.

The productive forces united within the transnational capital and production, producing in itself synergetic effect, develop unprecedented rates, thereby, increasing a technology and economic gap. Occurred not only quantitative, but also a quantum leap in development of multinational corporations (multinational corporation). The concept of the periphery and the center thanks to information networks lost the paramount value that led to changes in structure, volume and the direction of investments which at this stage are decisive factor social and economic development, especially in long-term prospect. From the middle of the 80th the index of growth of direct foreign investments considerably advanced an index of gross internal investments and, by the end of the 2000<sup>th</sup> excess made more than sevenfold level. The relation of foreign assets to a world product increased from 4,9% in 1945 to 56,8% in 1995.

Development of an ecological mentality. It concerns not only ways of production and processing of resources and energy even if the sizes of stocks while allow not to think of it. It only one of the most important problems of strategic character. In addition it is necessary to realize

the importance of environmental problems in their interrelation with production, secondary processing, conditions of accommodation of the population. Environmental friendliness of a mentality in developed countries – one of motivation sources to decrease in an expenditure of resources and energy, technology optimization that conducts to increase of competitiveness of production in the world markets.

High-quality restructuring of representational functions of society in the power. In this case it is a question of improvement of representation of interests of various national groups by strong political parties. This method of impact on economy widely practises in all developed countries and allows to reach good results in the field of the solution of problems of economy and the social sphere. Formation of the real method provides as strengthening of interaction of ordinary citizens with those parties and associations which represent their interests at various levels of the power at the solution of these or those questions and also work improvement of quality with voters not only during election campaigns, but also during all rest of the time of functioning of party. The last means identification, systematization, the analysis of constantly being formed requirements as societies and the various scale of businessmen to various levels of the power. This information has to be used at adoption of the state decisions.

Raising of authority of business. This aspect belongs more likely to business. However in the sphere of the public relations of action in this direction have to have one purpose – strengthening in public consciousness of positive associations and a positive image of the businessman.

Examination of projects of social and economic policy, including budgetary, tax, financial, pension has to become one of bases for adoption of administrative decisions. Within this offer interaction between power structures and science has to amplify.

Formation of national ideas at the level of the country leaders. This aspect as politicians and economy is an integral part of independence and well-being of nation as a whole.

## **CONCLUSION**

Thus, the conclusion of systems lagging behind in development to new quality of economic growth is necessary for differentiation overcoming in economic

development of economic systems is a major purpose of modern global economy which can be reached only at close interaction of the countries and development and realization of complex economic policy on the basis of the developed tasks.

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