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KEY FACTORS INFLUENCING ECONOMIC DEVELOPMENT

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Abstract:

This article is devoted to economic growth, its types, as well as features of economic growth. Currently, economic growth is one of the most important financial indicators, which determines the level of development of society. economic growth in modern times is the basis for an increase in welfare, and an analysis of the factors that determine it, allows you to explain the differences in the level and pace of development in different countries in the same period of time and in the same country in different periods of time.

Keywords: Economy, austerity, economic growth, GDP, crisis, risk, market laws

There are many approaches to defining economic growth. For example, the works of A. Smith and T. Malthus contain an exclusively quantitative approach to the study of this phenomenon - they believed that the essence of economic growth is to increase wealth. But P. Samuelson quite clearly linked the essence of economic growth with a change in the boundaries of the production possibilities of the economic system. S. Kuznets argued that economic growth is a long-term increase in the country's production capacity based on technological progress. Of course, these are just a few interpretations among the whole variety of thoughts and views of economic scientists. Based on the above, let's try to give our own definition of this phenomenon. So, economic growth can be viewed as a long-term increase in the volume of goods and services produced in the country for a certain period of time (usually a year). But for the measurements to be the most accurate, the impact of inflation must be taken into account.

Economic growth is one of the most significant indicators that determine the state of the economy, the development of production and an increase in GDP and GNP. It reflects the ability of the national economy to meet the needs of the population, creating the benefits it needs, and the ability to raise the standard of living of the population. He also shows changes in both material and material and social components of the well-being of human society in the process of its life. Economic growth can be considered the main indicator of state development for the following reasons:

1) an increase in the volume of production of products and services,
2) an increase in the real standard of living in society,
3) a more rational solution to the problems of ecology, education, health care, poverty without reducing the achieved standard of living,
4) reducing production costs and increasing labor productivity.

Economic growth is a dynamic aggregate indicator that characterizes the state of the country's economy as a whole in terms of time. However, this indicator is by no means always a positive value. Having analyzed the historical reference books, where we can see visual statistics of various economic parameters, we can see that there were zero rates of economic growth, and sometimes even negative ones.

Gross Domestic Product is the best way to measure economic growth. It takes into account all the products produced in the country. GDP includes all goods and services that businesses in a country produce and sell. It doesn't matter if they are sold domestically or overseas.

But can we always talk about accelerating growth rates when there is an increase in real GDP? Definitely not. For example, imagine any country where its population grows faster than GDP grows. In this case, it is impossible to assert the observation of positive economic growth. For a more accurate and clear definition, it is necessary to use an indicator such as GDP per capita.

Economic growth creates more profit for the business. As a result, stock prices go up. This gives companies the capital to invest and hire more employees. As new jobs are created, incomes rise. Consumers have more money to buy additional goods and services. Shopping at the same time stimulates higher economic growth. Therefore, all countries want positive economic growth. It is also for this reason that economic growth is the metric that is watched and followed the most.

So, economic growth is the process of increasing the volume of the state's national income, which is one of the main goals of the state's macroeconomics, the achievement of which is due to the need for greater GDP growth compared to population growth in the country to improve living standards.

In the economic literature, there are several points of view on the types of economic growth. First, let's turn to the approach of the British economist R. Harrod, which is based on the needs and capabilities of society, as well as the rate of population growth. The essence of this approach lies in dividing economic growth into natural, guaranteed and actual [4]. Natural economic growth is associated with an increase in the population, an increase in the needs of this population, as well as the desire of each person to satisfy his ever-increasing needs as much as possible, using all the potential opportunities for economic growth. Guaranteed economic growth is presented as a projected line of development to which entrepreneurs are tuned in and where they are satisfied with what they do. Actual economic growth is defined as the totality and result of the interaction of natural and actual economic growth.

Also, economic growth can be expressed by a quantitative increase and qualitative improvement of its internal elements. In accordance with this, extensive and intensive economic growth are distinguished in economic theory.

Extensive economic growth prevails when an increase in the production of goods and services occurs due to an increase in the number of factors of production. That is, more capital contribution, hiring more labor, purchasing and using more resources. This is the simplest and very first type of economic growth. It is the easiest way to achieve higher rates of economic development.

This growth undoubtedly has positive aspects:

First, it is an easy achievement of growth in the presence of sources of expansion of production. Secondly, it is the rapid development of natural resources. Third, it is the provision of higher employment in connection with the reduction or elimination of unemployment.

But this type of economic growth is very limited, since it has the following disadvantages: technical stagnation, in which a quantitative increase in output is not accompanied by qualitative improvements and technical and economic progress. Due to the fact that the amount of output increases to the same extent as the increase in fixed assets, natural resources, the number of hired workers, the quantitative values of such economic indicators as capital productivity, material consumption and labor productivity, at best, change little, and sometimes generally remain unchanged.

An extensive expansion of production presupposes the availability of a sufficient amount of labor and natural resources in the country, due to which an increase in the scale of the economy will occur. However, at the same time, the conditions of the production process will worsen, and prospects for degradation may appear, which may occur as land resources and human capital are exhausted. In addition, due to the increasing depletion of non-renewable natural resources, more labor and means of production must be spent to extract each subsequent unit of raw materials. Also, equipment at enterprises will experience a higher load and, accordingly, it will wear out and become obsolete faster.

After analyzing all of the above, we can say that the extensive type of economic growth is very costly and wasteful and will gradually exhaust itself. At present, this type of growth is impractical to use, since it does not allow the state to fully develop and can lead to a stagnant state. For this reason, it would be more rational to turn to methods of intensive economic growth.

Intensive economic growth is economic growth based on improving the quality of the factors of production used, the introduction of new technologies and more economical objects of labor.

An intensive type of economic growth appeared relatively recently, since it is inextricably linked with scientific and technological progress. And that is why it is more complex than extensive. Due to the use of more advanced technology, advanced scientific achievements, advanced training of the labor force, an improvement in product quality, an increase in labor productivity, and the use of more practical methods of resource conservation are achieved. Improving production efficiency is the hallmark of this economic growth.

The intensive type of production has a number of features:

1) it is more progressive, since scientific and technological advances become a decisive factor in improving productivity,

2) the use of information as a factor of production is spreading more widely, since it eventually turns into more modern and efficient means and methods of production;

3) there is an increase and increase in the cultural and technical knowledge of workers.

With intensive economic growth, as opposed to extensive, problems associated with limited resources diminish or disappear. This is the main advantage of this type of economic growth. In this regard, there are several directions for saving economic resources (intensification):

Labor-saving intensification based on the displacement of labor from production and its replacement with technology. In this case, the increase in output is achieved by increasing labor productivity.

Capital-saving intensification, which is based on the use of more efficient technology and machinery, more rational use of raw materials and fuel, economical use of production means.

Comprehensive intensification is used in those types of production when all forms of resource conservation are required in full. Thanks to this type of resource saving, an anti-cost direction is formed, in which such features as an increase in national income, an improvement in the quality of manufactured products, an increase in the share of the final product used for consumption needs may appear in the production process.

It should also be said that extensive and intensive economic growth are inextricably linked with each other, and in no production there is any one kind - usually their elements are used together, closely intertwined with each other.

Economic growth is also distinguished from the position that it is determined by the level and degree of development of productive forces, technology and production technology. For this reason, pre-industrial, industrial and post-industrial types of economic growth are distinguished. The pre-industrial type usually exists in underdeveloped countries that mainly specialize in agriculture - we are talking about those national economies where the share of this industry in GDP exceeds 50%.

Thus, two main types of economic growth can be distinguished: extensive, which is caused by an increase in the amount and volume of resources used, and intensive, based on improving the quality of factors of production and innovation.

A wide variety of factors and conditions can affect economic growth. The factors of economic growth are understood as those phenomena and processes that can affect the volume of production, its rate and efficiency.

Since factors can affect economic growth in different ways, they can be divided into two large groups - direct and indirect (indirect).

Direct factors, which can also be called supply factors, are those phenomena and processes that determine the physical possibility of economic growth. It is these factors that further contribute to the development of the economy.

Direct factors include:

1 Labor resources are all people who, thanks to their abilities and skills, are able to engage in socially useful activities. Moreover, the higher the abilities and skills, education and qualifications, the more potential their bearer has and the higher the quality of the goods and services he creates. Here we can say about the highly qualified workforce of Europe, which creates a significant difference in the volume of GDP with developing countries, such as Argentina and Brazil. Also, undoubtedly, the number of people engaged in labor activities has a great influence. The organic composition of capital also depends on the number of people in the enterprise, that is, the share coming to variable capital will increase. An example is China, where one of the main components of the industry is the amount of labor resources.

2 Natural resources. They include land and mineral resources, flora and fauna, forest and water resources. All of them are unevenly distributed over the territory of the Earth, so some countries are deprived of this factor, while others have it in abundance. The presence of a large resource base has a strong influence on the structure of production, the orientation of the economy, economic policy, and, accordingly, on economic growth and economic development. It would be logical to say that the more a country is endowed with any natural resources, the greater the potential for economic growth it will have. An example is a group of oil-exporting countries (Qatar, Saudi Arabia, Kuwait), which have unique natural resources, and even in large quantities. They have a high GDP per capita, a huge natural resource potential for development, and also play an important role in the market for energy raw materials and financial resources. However, it does not always happen that, having a large supply of natural goods, the country will necessarily have high incomes, a good quality of life and a rational production structure that can fully satisfy the needs of the population. Sometimes the situation may be completely different. It's all about the correct use of these very resources. Economic growth often depends on how effectively the stocks of raw materials are used. Indeed, often the main problem of the economies of countries, especially developing countries, is the orientation towards the export of raw materials while freezing the development of manufacturing industries (as an example, Russia). At the same time, there are countries that have a minimum amount of natural resources, but are able to use them rationally and increase economic growth in these conditions (here one cannot but recall Japan).

3 Volume and quality of fixed capital. Fixed capital is a means of labor used in the production process several times. Moreover, they gradually wear out, physically and mentally, transferring their value to the value of the products produced (depreciation). Fixed capital is divided into active, that is, directly involved in the production process (machines, machines, equipment), and passive, which creates and provides the necessary conditions for production (production buildings and structures). It is logical to assume that the larger the amount of fixed capital, the more products can be produced, and, accordingly, the greater the economic growth. The same can be said about the quality of the fixed capital used. The newer, more perfect and more efficient the equipment, the higher the quantity and quality of manufactured goods. And since we talked about the influence of the quality of fixed capital on the production process, one cannot but mention the scientific and technological progress.

4 The level of technology development. This is an integral factor of production. It is based on the political and financial state of the state. Technological advances affect economic growth in several ways:

First, the improvement of technology makes it possible for the national economy to increase the amount of manufactured products, while maintaining the same level of costs by increasing the productivity of means of production.

Secondly, the scientific, technical and educational and qualification potential and its impact on economic growth are increasing. This improves the quality of the workforce and the organization of the production process.

Thirdly, scientific and technological progress leads to the creation of new types of synthetic raw materials, which require much less time and labor costs for processing. Also, scientific and technological progress in modern times relatively reduces the role of natural resources in the economy, reducing the dependence of the manufacturing industry on mineral raw materials.

Fourth, under the influence of scientific and technological progress, fundamental changes are taking place in the means of labor. This is due to the emergence and development of such industries as microelectronics, robotics, information and biotechnology. All this makes it possible to mechanize the production process as much as possible, as well as increase the time of the production process, bringing it closer to continuous.

5 Organization of production. Entrepreneurial ability, being one of the factors of production, like nothing else has an impact on economic growth. The possibility of the most profitable choice out of the many possible, the ability to rationally organize the production process, find effective use of benefits - all this is very much appreciated in modern times, since the use of labor, natural and financial resources depends on the factor of entrepreneurship. The literacy of entrepreneurs in a country can directly contribute to maximum economic growth and increase in the economic efficiency of production.

Also, indirect (indirect) factors, or demand factors, have a direct impact on economic growth. They determine the possibility of using resources to improve economic growth. These factors are the result of using capital and making a profit from it. Rational use of capital allows one to approach the state of equilibrium in the resource market, when the demand for a product rises to the level of supply.

Indirect factors include:

1 Degree of market monopolization. In the modern market, a situation often occurs when one or several firms completely control the offers of one product, since for the buyer there is no more or less close, interchangeable good with him. This allows firms to set monopoly prices, which are usually much higher than market prices. Also, monopoly power makes it very difficult to enter and exit the market, restricts access to information, the number of sellers or the number of buyers. All these circumstances contradict the logic of economic development, since they undermine economic growth, reduce the overall efficiency of production and slow down scientific and technological progress, since in many cases monopolies can do without the use of technical innovations.

2 Tax situation in the country. Taxes have the greatest impact on the production process in the country, and therefore on economic growth. The increase in taxes leads to a decrease in the degree of interest of manufacturers in production, since this is simply unprofitable, because the entrepreneur is forced to give most of his proceeds from sales to the state. This is especially true for large-scale production. Therefore, it is necessary to improve the tax system in the country, trying to come to a balance when the size of the tax will satisfy the state, replenishing the state budget sufficiently, and producers, when the size of the tax will not go beyond the acceptable range in order to promote increased production and economic growth.

3 Prices for production resources. The lower the prices for raw materials, the more producers are willing to buy them. Here the law of supply and demand will influence to the greatest extent. Therefore, manufacturers are looking for resources at the lowest prices in order to maximize their profits. Also, in this situation, foreign trade will also have an impact, as the possibilities of export and import of resources expand.

4 Development of the credit and banking system. In any country, to increase the volume of GDP, it is necessary to involve more and more people in the production process. However, not all aspiring entrepreneurs have the means to start a business. Therefore, in most cases, they turn to banks for loans. But the conditions put forward by the bank do not always suit future entrepreneurs. Sometimes even they scare them away from the business sphere. So, some conditions in general can be unbearable for a person - be it the discount rate of interest, the term of the loan, or something else. Therefore, the state simply needs to improve the banking system and expand opportunities for obtaining loans.

5 Investments. They, like nothing else, affect the economy of any state. In most cases, they invest in some kind of innovative projects related to technologies and production processes, which leads to an increase in production and GDP. Investments make it possible to restore or renew fixed assets of enterprises, which ensures the stability of social production. In addition to all of the above, they affect the amount of capital, increasing it, thereby leading to an increase in the level of well-being of the population as a whole.

Thus, the factors of economic growth can be understood as the phenomena and processes that affect the volume of production, its rate and efficiency. There are two main groups of economic growth factors - direct, determining the physical possibility of economic growth and representing potential resources that affect economic growth in their quantity and quality, and indirect, determining the possibility of using resources to improve economic growth and acting as a result of using capital and obtaining came from him.

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