

# Structural Changes and Patterns of Development Economics

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*Abstract – Author shown the model of the structural transformation on the basis of the empirical analysis of most countries of the Third World countries. Its focus is not only on methods of promoting economic growth and structural change but also on improving the potential for the mass of the population, for example, through health and education and workplace conditions, whether through public or private channels. The result of researches is the identifying of some points of the developing countries and of the countries with economical transformations.*

Key words – economic growth, economical system, economical development, agriculture, industry, wage, workforce, globalization, innovation.

## I. Introduction

In the process of the transformation of Ukrainian economical system the structural aspect of economical development is becoming very important. It is shown by changes in quantity and quality in economy. There were actual and competitive theories of the economical development and growth: linear stages theory, growth theory and development economics, structural-change theory, international dependency theory, neoclassical theory. The usage of the main points of these theories and practical experience can transform the researches of economical systems into the new multi-science level.

## II. The main research material

Structural-change theory deals with policies focused on changing the economic structures of developing countries from being composed primarily of subsistence agricultural practices to being a "more modern, more urbanized, and more industrially diverse manufacturing and service economy." There are two major forms of structural-change theory; W. Lewis' two-sector surplus model, which views agrarian societies as consisting of large amounts of surplus labor which can be utilized to spur the development of an urbanized industrial sector, and Hollis Chenery's patterns of development approach, which holds that different countries become wealthy via different trajectories. The pattern that a particular country will follow, in this framework, depends on its size and resources, and potentially other factors including its current income level and comparative advantages relative to other nations [4][5]. Empirical analysis in this framework studies the "sequential process through which the economic, industrial and institutional structure of an underdeveloped economy is transformed over time to permit new industries to replace traditional agriculture as the engine of economic growth" [4].

One of the famous theoretical models is the theory of the structural transformation of the winner of the Nobel award Arthur Lewis, who was described by him in the fiftieth of XX century.

In the general understanding of this theory is the base for the industrial civilization in general and it reflects the historical process of the transformation globally from the agricultural to the industrial model of the economical development.

The content of the structural transformations more fully described in the Lewis model. It is based on the general historical experience of the countries which have passed the stage of the industrialization, so the economy is divided on two main sectors:

Firstly, the traditional sector with the natural agriculture which is hidden by the high amount of the population and zero limited of the labor productivity. This situation let A. Lewis to provide the term of extra labor workforce in this segment, which can be cut without reducing of the production. By providing the usage of the new equipment and the technology it becomes real to transfer the workforce from the agricultural segment to industrial, which is characterized by higher productivity and pay for the work [2].

Secondly, there is a high-productive modern sector, which contain the local industry and the workforce is gradually being transforming into it from the agriculture. So, the process of modernization of the whole economy takes place and the industrial base is becoming stronger. The main attention of the A. Lewis model is paid to the workforce migration from the countryside to the city and to the growth of the production and employment in the modern sector. [9]. It needs extra investments for the creation of the main factors in the industry and for more qualified extra workforce. The investment comes from the reinvestments in the same sector in conditions of the economical growth of the effective running, and by the way of using international investments and financial help. The salary is thought must be fixed on the level is higher than usual in the traditional sector. In the condition of fixed salary in the city, the proposition of the workforce from the countryside is thought by A. Lewis as absolutely flexible.

As a result, A. Lewis model can be used for the countries with the high level of population, weak capital and limited natural resources, the system of the national agricultural system with clear identified condition – result relativity which stimulates the development of the high - technology production is created. In general, the theory of the structural transformation of A. Lewis reflects the historical experience of the development of Eastern countries, but some of its main points are not connected with the institutional and economical reality mostly for the countries with the transferred economy.

The main principle of workforce transformation from the countryside to the city:

- higher wage (according to the Lewis model is not less than 30 %) in the industry in compare with the agriculture;
- better social life - conditions.

The Lewis model determinates the difference between two types of the growth. In the industry it is the result of the using of the added workforce – mainly the reducing the amount of employed. In agriculture the loss of the extra workforce leads to the growth of marginal work productivity. Then the extreme growth of the wage, general payments and automated production is needed. The mechanism of the economical growth in the agriculture is motivated now. These two types of the economical development comply with two different functions of the investments. The process of the structural transformation according to this model is the self-based growth in employment, which is going on till all extra workforces in agriculture will transform into the production industry. On this stage there is a balance between the industry and agriculture, the structural economical transformation ends, the main resource of the local national product creates in production, the other factors of economical growth start

working. They are connected with the scientific and technological, modern management, marketing, IT achievements. As the other equal economical models this conception has some limits, abstractions from the real agricultural processes.

More expanded and fully theory of the structural transformations was shown by the Harvard's economist Hollis B. Chenery. He created the model of the structural transformation on the basis of the empirical analysis of most countries of the Third World countries. The result of his researches is the identifying of some points of the developing countries and of the countries with economical transformations.

Firstly, it is the fundamental research of the structure including the general economy, industrial economy and institutional. Secondly, the growing investment is seen as a necessary but not only condition of the economical growth and development.

In the Chenery's model the main attention is paid to the dividing as recourses and causes, as limits the difficulties in economical growth and development on internal and external. It is caused by the development of the internationalization, trans-internationalization of the agricultural life, the development of the globalization and intensification of the international integration processes. The internal causes and limits are divided in two big groups: economical and institutional. Among them there are: the natural resources potential, the amount of the population and the education, the area, the size if the domestic market, historical traditions and skills etc., which can be as causes as limits of the economical development. The institutional factors and limits are connected with the developed system of political, low and market institutions, which give the possibility to do the economical politics. By the analogy the external recourses, factors and limits are divided. The main of them is the access to the foreign investments, technologies and markets.

On the basis of the differences between the countries in the internal and external factors of the economical development there is a substantial differentiation between the developing countries and the countries with the transformation of the economy in the conditions of the economical growth [2]. The structure of the economy can be analyzed according to the production and according to the dividing, exchange and consuming of the product from the point of view of the enterprises, branches, regions and others agricultural elements; separate structure-building factors and processes. In such conditions the industrial structure of the economy characterizes the comparativeness of investments from different industries in the creation of the GDP; the restrictive structure – is the turnover of the production factors; technological – comparativeness functionalized different technologies etc. The researches of the branch structure of the economy of different countries of the world in 2013 shows that the main sphere in the developed countries is the sphere of services, which provides the growth of the economy because of the growth of the workforce and the economy of the natural resources. Development economics is a branch of economics which deals with economic aspects of the development process in low-income countries. Its focus is not only on methods of promoting economic growth and structural change but also on improving the potential for the mass of the population, for example, through health and education and workplace conditions, whether through public or private channels [1]. Development economics involves the creation of theories and methods that aid in the determination of policies and practices and can be implemented at either the domestic or

international level.[2] This may involve restructuring market incentives or using mathematical methods like inter-temporal optimization for project analysis, or it may involve a mixture of quantitative and qualitative methods [3].

## Conclusion

So, the choice of the ways of the economical system development in Ukraine needs the researches in the domestic practice of the systemic economical transformations, detailed study of the way of world development, generalization of the world experience in the adaptation in the industrially developed countries to the reality of the modern world market. The Lewis theory of development is one from the most popular theoretical construction of the development. The structural transformation of natural consumer economy is its center. The two - sectors Lewis model is the leader theory of the development for extra – working economy for the 'Third world countries'.

For comparing, the model of the structural transformations of Chenery points the attention to the mechanism of the transformation mainly of the agricultural economy of the countries of the 'third world' into the industry with the higher level of the urbanization. While analyzing the neoclassical definitions are used, such as: the price and the derivation of the resources. The main hypothesis of the structural transformations theory is the development is followed by the growth and different changes that are equal to all countries. But there are some differences between the countries in the speed and forms of the development connected with several specific factors: the natural resources, the area of the country, aims, the ways of the governmental politics, access to the foreign investments and technologies, the external condition of the country. The tools of the modulation are the modern econometric methods.

While the modulation of the structural transformations the Chenery empiric analysis of the form development is followed by the Lewis model of the extra workforce. The empiric researches of the movement in the structural transformations show that the speed and the forms of the development can differ depending on the internal and external factors are mostly not controlled by the country. Despite of these differences, the model of the structural movements show this that it can be determinate several ways and forms of the development, which are general to all countries. They can be influenced by the governmental politics, rational organization of the external trade and the external development help programs [6].

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