COMPARISON BETWEEN ECONOMIC GROWTH AND SUSTAINABLE DEVELOPMENT IN DIFFERENT-SCALED ECONOMIES

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Abstract:
The investigation deals with economic growth in emerging markets small economies in the historical context as well as peculiarities of ultra-small territories development and argues that due to the lack of resources these countries and regions acquired the characteristics of economic development sustainability. Nowadays in different scaled transitive economies – small and ultra-small - resource–poor and large resource-rich countries - contemporary economic growth could be reached via economic integration and due to the conversion into knowledge-based model of sustainable development. The peculiarity of resource-abundant countries economic growth lays in the rent capitalism specific mode of socio-economic governance. The latter depends on the institutional factors influence which increase in the period of financial crises. Innovational type of economic growth provides sustainability of economic development, effective usage and perfection of the factors of production - labor, capital and scientific-technical and institutional progress – and determines national economy’s position in the world economy and international division of labor. Those countries which are lucky to create scientific-productive systems of the new technological pattern and reaches informational civilization stage become the centers of investment capital-inflows and new global leaders providing their economic, political, social security and sustainability. “…the power and influence of those states with innovational pattern, their international competitive strength and security are increasing” ¹. Simultaneously ultra-small regions could reach sustainability as business (informational, communication., transport, logistics, etc) bridges between their larger neighbors.

Key words: economic growth, large-scaled (resource–rich) and small-scaled (resource-poor) transitive economies, rent capitalism model, sustainable development, ultra-small regions, competitive periphery.

JEL codes: F430, N100, O110, O500,

Introduction
Wide concept of sustainable development definition is pronounced in World Strategy of Nature Conservation (1980) Report, represented by International Union for Conservation of Nature (IUCN), which points out economic, ecological and socio-cultural aspects whole-system unification causing synergy sustainable security effect. The problem of economic growth in different scaled economies, namely resource – poor and resource-abundant countries and chances for the latter conversion into knowledge-based mode of sustainable development was investigated in the world (Saul, 1982, pp.111,119; Hodne, 1975, p.6.) and Russian (Кузнецова, 1989; Кузнецова, 2001; Ефимова, 2008) literature. Research of the liaison between the size of economy, levels and rates of economic development was proceeded by J.Simon (1986, p.63-64.) who argued that in the long-run historical prospective 1) the increase of population means cumulative growth of technology and raise of living standard; 2) high population density assumes high rate of economic growth. The role of natural resources in the economic growth linked to the economic policy of different countries was investigated in the modern Russian literature (Ипатьев, 2001, с.4-27.)

The methodology of investigation deals with economic-history method of international comparisons in time-space context used in the comparative analysis of small-scaled European countries economic development in the pre-modern history and small-scaled Asian “dragons” economic development in the

¹ http://www.worldenergy.ru/mode.1876-id.7841-type.html
modern history. The overview of different-scaled contemporary transitive economies was proceeded in the basic monographs considering: 1) theories of economic growth; 2) strategy of transitive small and large economies overcoming to continuous economic growth and sustainable development trajectory; 3) concepts of emerging market economies; 4) general trends of globalization and regionalization in the framework of abundance either scarcity of natural (mineral in the first turn) resources. 5) identification of ultra-small regions considered as business bridge competitive periphery of the European and world economy.

The goal of the article is to promote the idea of different-scaled (including contemporary transitional) economies sustainability implementation, namely resource-rich and resource-poor countries economies in the historical context. The paper deals with economic growth in different scaled economies - resource – poor (including ultra-small) and resource-abundant countries - and chances for the latter conversion into knowledge-based mode of sustainable development and hence considers two problems: 1) economic growth in different groups of the small-scaled countries and regions of the world economy in the historical context; 2) dynamics in small ultra-small and large transitive economies assessment and their economic sustainability.

The hypothesis of the article is that sustainable development and continuous economic growth were reached in the XIX-XX centuries period only in the resource-poor small-scaled European countries and contemporary Far-Eastern economies of Asia and in the ultra-small competitive periphery business bridges between larger countries while in the large resource-rich transitive economies economic sustainability could be achieved due to rent capitalism model formation in these countries which find themselves at different stages of transitivity overcoming from curse to blessing type of sustainable development.

Sustainable development in the small-scaled economies: historical overview
In the countries having absolute lack of both raw-material and manpower resources (extensive factors of growth), the model of effective sustainable development is dictated by opportunities of high population density and a presence of "a raw-material niche" - natural or artificial resources processing. A preconditions of such type of development are regional integration and an intensification of reproduction. These countries acquire protestant culture and its economic development confirms Max Weber thesis: protestant (supplemented in the modern history by Confucian and Hinduism concepts) countries reached higher economic performance than catholic (nowadays states implementing Orthodox and Muslim religions join this group) countries from the point of material welfare, level of trust and freedom from corruption (Weber, 1930). We observe the West-European old-capitalist states as such type of small-scaled economies. These European countries possess relatively small territory, traditionally high population density and small, sometimes negative population growth rate. International comparison shows these countries' significant inequality concerning scientific and technical development level, as well as rather big gap between most and least advanced countries accessing the break between large countries. After industrialization these countries slowed down their economic and population growth rates. S.B.Saul's (1982, p.111.) analyzed the concrete economic-historian data for the West-European small countries during the period of 1870-1914 and marked, that there exists certain limit of small countries population growth determined by its density, natural, climatic and historical conditions. The analysis of long-term dynamics (Кузнецова, 2001, p. 103-104) shows, that industrialization in the small West-European countries passed faster, more rationally, than in large-scaled Western economies. Such industrialization model in these small states could be explained by the relative ease of agrarian reforms (XVIII - XIX centuries), constant inflow of the qualified and cheap labor from the large European countries involved into feudal wars. Handicraftsmen - immigrants were the center of specialized niche of the small countries through the Middle Ages forming an initial basis of usurious, trade, and subsequently the industrial capital accumulation. Switzerland converted into a centre of watch manufacture and gobelin tapestries, Denmark and Netherlands – of shipbuilding, Netherlands - of brilliants processing, Belgium – of glass manufacture, etc. All small countries were developing textile industry as well as service sector: insurance, banking, transit trade, which provided colonial transcontinental trade functioning. The West-European small-scaled economies got rich during the medieval period and have managed to provide not only the industrialization process of their own, but financed industrial revolutions of the large states, frequently promoted saturation of these countries economy by means of production. For example, Belgium carried out a role of steel, hire, machine tools supplier to France and Germany, importing raw
material: coal, pig-iron, coke. Switzerland overcoming industrial revolution exported locomotives, electro motors, diesel engines, sea turbines. Netherlands as well as Sweden, being resource-poor country but having the educated and qualified labor, began to export finished goods of secondary oil refining: chemical and pharmaceutical products, pulp and paper, etc. In 1913 a share of final goods in export was 79 % - in Switzerland, 76 - in France and the Great Britain, 63 - in Germany, 57 - in Sweden, 46 % - in Belgium (Saul, 1982, p.119). Very special international position of the small-scaled West-European countries, their export orientation, the narrow international specialization, high competitiveness in the innovational sphere of economy together with the Protestant culture implementation provided characteristics of sustainability during start-up period of modernization and imply it up to modern stage of informational economy development.

Nowadays we observe the same type of the small-scaled economy growth and sustainability in the «new industrialized countries» of Southeast Asia which, compared to their West-European analogues, possess high natural increase and growing density of population. These countries, following the sustainable development pattern of Japan have shown intensive industrialization and reduction of technological revolutions period. High rates of extensive growth have coincided with "compression-shrinking" stage of growth accompanied by innovative technological pattern implementation. The chosen strategy of growth and cultural vision borrowed from Japan included foreign technologies and technique transfer, the high speed of technological international specialization formation, fast improvement of cheap labor quality characteristics. Japanese academic Yoshihara Kunio argued: «One of the reasons of the successful sustainable development of Japan is specific culture, the Japanese people appreciate: 1) material vision and attitudes; 2) industrious labor; 3) future generations accumulation; 4) education; 5) collective consciousness» (Op.cit. Harrison, 2006, p. 128.) The new industrialized economies of Southeast Asia have shown rather fast rates of economic and labor productivity growth via three steps of modernization scenario: 1) import-substitution branches creation, 2) major industries and an export potential formation, 3) advanced high tech sector implementation. According to some forecasts other Southeast Asian countries acquiring relatively small economic space could go through the same way of unique dynamics and structural shifts. Such model of sustainable development of the small countries of Asia can be the result of a combination of high density of quantitatively and qualitatively growing active population adequate to the modern informational-communication stage of civilization and 5-6 technological pattern of this development formation (Кузнєцова, 2002) characterized by the Asian pattern of Confucian culture.

Our classification of the small countries could be filled up with the group of the small-scaled and relatively large-scaled economies that appeared on the ruins of the USSR and COMECON and have various models and indicators of economic growth and scripts of economic development according to their natural resources acquirement.

**Sustainable development and economic growth of different-scaled transitional economies**

Since the wreck of communism in 1989 economic growth in different regions of former socialist camp sometimes titled “emerging markets economies” showed different dynamics and different mechanism of overcoming to market economy. Dramatic fall of tempo characteristics in the end of 80 - early 90th was replaced by fast economic growth in the Central and East European countries as well as in small-scaled Baltic states already in 1992-1994; some small countries of Central Asia and Caucasus (Armenia, Georgia, Kyrgyzstan) joined this group of fast growing economies in 1995. Only at the end of a decade after long period of recession economic growth and structural shifts have renewed in the large-scaled countries of the former Soviet Union republics (Russia, Ukraine and Kazakhstan) presumably due to the influence of 1998 financial crisis. Since 1999 economic growth of the former socialist block transitive economies illustrated opposite dynamics (World Bank Indicators, 2005).In 1999-2004 11 CIS countries grew with the average rate - 7,8 % annually, whereas Central European countries (Visegrad group - Czechia, Slovakia, Hungary and Poland) −3,6 %. Three Baltic states were closer to the first group - 7,1 %, Romania and Bulgaria −5,4 % (World Bank Indicators of development for 2005). The question arises - how to explain this paradox of growth? Why pioneers of market reforms went so quickly in the category of lagging behind economies loosing a characteristic of sustainability?

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2 Commonwealth of Independent States - CIS 11 group - Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Uzbekistan, Ukraine.

3 Baltic states – Estonia, Latvia, Lithuania
The recent concept of the resource-poor and resource-rich economies can be used for the characteristics of small countries economic growth and for the analysis of small and large transitive economies development. Rzajanov V. has pronounced the idea that mineral and particularly energy resources play enormous role in converting resource–rich emerging market countries into a very specific rent acquiring type of capitalist states. (Rzajanov, 2008)

Transitive resource-driven economy shows the special market economy mechanism of transition and uses the opportunities of resource-oriented economic growth type conversion into energy-innovational-oriented type. Research of eight countries of Caucasus and the Central Asia (Energy, Wealth and Governance, 2006), which left the Soviet Union in 1991 and are in a condition of transitivity to market economy till now has shown, that there exist, at least, two more factors causing difficult transition: 1) long and organic development of the Asian pattern of production and patriarchal clan relations connected to Muslim either Orthodox religious consciousness following the model of command economy (De Melo, Denizer, Gelb, Tenev, 2001, p.151-131.); 2) historical and territorial isolation of these countries from the advanced market economies(Kopstein and Reilly, 2000, p. 1-37).

However there is one more important factor of transition – those of them which are resource-rich economies acquire characteristics of the mineral-resource-driven economic growth and economic development sustainability. (Aulty and Gelb, 2001, p.126-144; Ross, 2001, p. 325-361; Sachs and Warner, 1995. p. 1-118; Sachs and Warner, 1997) They repeat Russian Central Bank policy of gold and currency reserves accumulation and sovereign stabilization funds formation due to the raw-materials export income obligatory sale.

For a long time the influence of these factors was not taken into account in the theory of transitive economies as academics were basically focused on the Central and the East European states, for which natural resources abundance or absence did not play (at least, until recently) a significant role. For low and medium-developed countries of Caucasus and Central Asia (CCA) the contribution of primary sector production in GDP remains rather significant. Four states (Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan) have 2/3 of eight CCA countries’ population, and they produce extraordinary high share of primary resources in GDP (mineral-energy resources in the first turn). This natural advantage helped to overcome difficulties of market economy transition as well as consequences of the contemporary global financial crisis providing high level of investments and final goods import for structural shifts acceleration and social security provision softening the tension of high unemployment. However this factor, despite of significant economic growth in seven from eight examined states, does not accelerate economy’s reforming as well as the process of democratization and still is accompanied by significant state intervention and authoritative tendencies increasing. A question arises whether the CCA countries can reach long-run continuous economic growth and sustainable development in the conditions of economic and social freedom absence as well as weak development of democratic institutions, with the political elites focused on their own wealth and mineral resource export profits accumulation. There are certain investigations arguing that these emerging markets could reach sustainability due to the resource abundance and opportunity to proceed knowledge-based mode of development (Kuznetsova, 2009, p. 60-64; Haustein and Neuwirth, 2009; Markandya, Pedroso and Streimikiene, 2002; Unander, 2001; Valais, Chabrelie and Lefevre, 2001). The second question is whether these countries can apprehend successful experience of dynamic economic resource-driven growth of small oil-producing countries like Saudi Arabia, Kuwait, United Arab Emirates or the model of resource-poor growth of CEC countries (Яковлев, Гончар, 2004, с.32-54; Рес, 2005, c. 6-11; Ситро, Ягольницер, 2002. с. 89-111).

Experience of the CEC countries shows, that achievement of a high per capita parameters is connected to political predictability, democracy, cultural level and religious (presumably Protestant either Confucian) orientation. This trajectory of development reflects directly proportional dependence between growth of per capita income and implementation of social-oriented public management accompanied by the transparency of financial flows, predictability of Tax Codes and the sources of state budget formation directed to social need covering and to the real sector investment stimulation meaning increase of the social capital and a civil society role. Simultaneously private undertakings raise their requirements to the protection of the property rights demanding improvement state institutes functioning based on the rule of law, meaning the social and cultural sustainability. However such reforms were slowed down in the majority of the CCA countries. Political elites of these countries have no valid opposition, hope for inexhaustible incomes from raw materials sale, and consequently on the rent which replaces former Moscow grants. We could observe dependence of oil-producing countries on export of mineral raw materials as well as revenues which resource-rich countries of the former USSR and Russia acquire from mineral resources export. Simultaneously one could observe a lack of sustainability due to the historical
experience, traditions and culture. These countries characteristics are: the extensive type of (could-be high-rated) economic growth, non-sustainability of economic development adequate to the low social, democratic, human, productive, and ecological culture.

**Features of economic development ultra-small independent territories of Western Europe**

«Ultra small region» being the independent subject of the West European countries, is their territorial, political and economic part, possessing constitutional independence. The initial factors of such regions special status are national-cultural ethos type and geopolitical position. In the process of these territories development new resource, tax, transport-communication advantages appear. It’s rather interesting to identify of ultra-small territories, revealing features of their economic development and the modern business status.

Rather actual problem connected with scale and almost never mentioned in the modern academic literature – economic development of the smallest (dwarfish) states and ultra-small independent territories, - under no circumstances not having a chance to expand via national borders, being in island, peripheral, spatially independent (from the home-country) position. This type of states and territories possesses the same characteristics as the small countries, representing specificity of autonomy and «competitive periphery». For these countries and independent territories growth opportunities and development sustainability lie not only in necessity of integration complexes participation submitted to the favorable supporting regional policy, but also in uniqueness of a geographical position which permit them to serve as the transport-logistics, infrastructural business bridge between larger neighbors-partners in sub-continental region of the Western Europe.

Under ultra small independent territories we understand the regions the parameters which are similar to quantitative indicators of the micro-countries. These regions are politically a part of any states, possessing the partial constitutional sovereignty, system of legislative and executive governance, special tax and commercial systems of their own. Now this status in Western Europe is acquired by Canary Islands (Spain) overseas territories of France (Guadeloupe, Martinique, Guyana, Reunion), British isles of La Mansh and Maine, Aland (Finland) and Faeroe (Denmark) islands, and Giblartar as the only colony remained in continental Europe.

The basic components of these special regions investigation are: the short economic history inquiry, an estimation of starting conditions of business environment, character of their mutual relations with the European Union within the limits of the regional policy, definition of various factors influencing the development of these peripheral territories possessing rather high level of competitiveness, identification of these autonomous territories as business bridges between larger neighbors.

**Conclusions**

1. The different scaled economies show different mechanism and type of economic growth and level of sustainability. It is proved by the economic history and contemporary development facts of overcoming from extensive to intensive type of economic growth in small and large-scaled economies. Nowadays the crash of communist block and emerging market economies formation specify peculiar scenarios of economic growth and transition to sustainability of innovational-and social-oriented development of small-scaled and large-scaled countries which is influenced greatly by mineral-resource abundance or scarcity.

2. Economic-history analysis shows that resource-poor economies of Western Europe (in the Pre-modern history period) and of South and South-Eastern Asia (in the modern history period) are characterized by the properties of sustainability acquiring ecological-economical (on micro-and macro-levels), spill-over innovational activities allowing to compensate scarcity of resources, political and social-oriented stability and homogeneity of democratic civil society.

3. All post-socialist countries of the end of XX- beginning of XXI centuries shows the non-continuous, unstable economic growth and non-sustainable economic development.

Resource-abundant post-socialist countries formed on the ruins of the USSR (Russia, Ukraine, Kazakhstan, Azerbaijan, etc.) illustrate the model of unstable economic growth and non-sustainable economic growth in small and large-scaled economies.

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4 In terminology of the United Nations and the World bank dwarfish (microstates) the sovereign states which population is not exceeded 1мн by the person are considered. The number of the European dwarfish countries usually joins Andorra, Liechtenstein, Malta, Monaco, San Marino and Vatican. Also to their number often carry Luxembourg, is more rare Cyprus and Iceland. A source: Eecardt Th. Secrets of the Seven Smallest States of Europe. NY. 2005.
economic development due to the resource-abundance and possibilities to conquer those resources by the state bureaucracy and oligarchs strata. The scenario of this situation of non-sustainability overcoming could be connected with innovational growth and socio-stable economic development on the basis of rich resources use as a trigger of rent capitalism model.

Resource-poor post-socialist European countries formed on the crashes of COMECON which appeared to enter EU (Baltic states, Slovenia, Slovakia, Poland, etc.) have the model of non-stable down and up swing economic growth and non-sustainable economic development due to the fact that being new members of powerful integration group they show the variant of catching-up (non-stable) small-scaled transitive-economy periphery development subject (more than their developed neighbors) to the financial crisis influence. Sustainable development and continuous economic growth script could be achieved via deepening of EU regional integration processes and revitalization of cooperation with resource-abundant Russia and strengthening the position of intermediary bridge between East and West.

4. The main summing up idea of the investigation points out that the rent capitalism model in growing large-scaled resource-abundant transitive countries occupying essential role in the world economy differs from the route of small transitive economies which could reach sustainability via innovational type of economic growth and inclusion into the developed market regional integration group bridging economic ties between resource-rich and resource-poor countries.

5. One of the “white spots” of the classification scheme focus on the identification of ultra-small territories of European sub-continent developing into the business bridge competitive periphery of the region considered

Literature

The article deals with the problem of the different types of economic growth linked to the resource factor in different-scaled countries in the historical context. The paper reveals scenarios of large-scaled and small-scaled (resource-poor) emerging market economies development connected to knowledge-based and rent capitalism model of sustainability linked to resource-abundance. Another issue concerns ultra-small regions sustainable development as competitive business-bridge periphery of the European and world economy.

SUMMARY

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