MAIN FACTORS OF ECONOMIC GROWTH

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Abstract: This paper examines the key factors that determine economic growth in countries and regions. The main focus is on the main categories that influence economic growth, such as labor, capital, technology, natural resources, social and political factors.

Key words: economic growth, growth factors, human capital, investment, technology, natural resources, globalization, public policy, labor productivity.

The foundations of the theory of economic growth and development were created by Joseph Schumpeter at the beginning of the 20th century. He was the first to introduce the differences between economic growth and development, and defined the essence of innovation as the main driving force of economic growth. In his basic scientific work, the monograph The Theory of Economic Development, first published in 1911, Joseph Schumpeter defined economic growth as quantitative changes — an increase in production and consumption of the same goods and services over time. Joseph Schumpeter defined economic development as positive qualitative changes, innovations in production, in products and services, in the field of management, in other spheres of life and types of economic activity in the state. Joseph Schumpeter defined innovation as the main locomotive of development and progress, as well as the entrepreneurial resource that creates demand for innovation and its excess supply, where growth is quantitative changes, and development is qualitative positive changes aimed at growth and improving the quality of life. Schumpeter's ideas were used by Philippe Aghion, who formulated the Schumpeterian growth model. Contributions to modern growth and development theory were also made by Robert Solow, Hirofumi Uzawa, Frank Ramsay, Tjalling Koopmans, David Kass, Paul Samuelson, Peter Diamond, Gary Bakker, Paul Romer, William Nordhaus, Oded Galor, Daron Acemoglu and many others.

Extensive economic growth is achieved through a quantitative increase in production factors while maintaining its previous technical basis. The use of labor increases, as does the volume of capital investment and the volume of natural resources used in production (for example, an increase in the area of arable land in agriculture). Within the framework of the concept of marginal utility, the extensive approach is accompanied by an outstripping growth in the volume of economic resources used compared to the growth of the final product. Other signs of extensive growth include: an excess of the growth rate of the intermediate product over the final product, an increase in the share of compensation for current costs in the aggregate social product, an increase in the share of production capital investments in national income. Intensive economic growth is achieved through the qualitative improvement of production factors. It occurs through the use of more advanced means of labor and more economical objects of labor, improved labor skills, improved use of production potential, raw

materials and supplies. With the development and mastering of modern achievements of science and technology, the intensive type of economic growth becomes predominant, and with the depletion of raw material sources and the exhaustion of labor resources, it becomes the only possible one. In real life, extensive and intensive types of economic growth do not exist in their pure form; they are intertwined and interact in varying proportions.

Types and factors of economic growth: synergistic effect.

In economic science, there are two types of economic growth: extensive and intensive. Extensive economic growth involves increasing the amount of goods and services produced while maintaining the same level of technical production. The tool for this approach can be hiring additional employees or increasing investment in production, purchasing raw materials and expanding production. These methods allow increasing the production of the same goods or services and, thus, raising the overall level of GDP.

Intensive economic growth is associated with a qualitative improvement in production. For example, research is conducted to reduce the amount of raw materials consumed in the production of a unit of output, and production technology is improved. Thus, intensive economic growth is based on the use of more modern and progressive methods of producing goods and services. It is important to understand that in the modern world there are no examples where only one type of economic growth is observed. For example, procedures for hiring additional workers and training old employees in new production technologies can be carried out. According to research by American economists Campbell McConnell and Stanley Brew, a country's economic growth is determined by six factors: 1. The quantity and quality of natural resources. The ability to produce more goods and services depends on the availability of raw materials. 2. The quantity and quality of labor resources. The volumes and quality of goods and services produced depend on this factor. 3. The volume of fixed capital. This factor limits the amount of funds that can be invested in the development of production. 4. Technologies. This factor determines how goods and services can be manufactured. 5. The demand factor. Necessary to ensure economic growth. 6. The efficiency factor. This factor includes both natural and human resources. They must be used in such a way that the use of resources occurs at the lowest cost. Economic growth is defined as an increase in the volume of production of goods and services in an economy over a given period of time. It depends on many factors, which can be classified as follows: 1. Labor resources •Quantity of labor force: Increase in the number of working-age population due to demographic growth or migration. •Quality of labor force: Level of education, professional training, labor productivity. 2. Capital resources •Investment in fixed capital: Increase in the volume of production equipment, infrastructure and technology. •Depreciation of capital: Timely renewal of worn-out assets. •Efficient use of capital: Optimization of production processes and reduction of losses. 3. Technological progress •Innovation: Creation of new technologies, products and production methods. •Research and development (R&D): Investment in research and development.

•Automation and digitalization: Application of modern IT solutions to improve efficiency. 4. Natural resources •Availability of resources: Availability of minerals, land and water resources. •Rational use: Effective management of natural resources for their long-term use. •Access to renewable resources: Introduction of technologies that promote sustainable development. 5. Political and institutional stability •Transparent institutions: Protection of property rights, rule of law, effectiveness of public administration. •Political stability:

Sustainability of the political system, absence of conflicts and crises. •Effective economic policy: Stimulation of investment, employment and entrepreneurship. 6. International integration •Export and import: Development of international trade and access to foreign markets. •Foreign direct investment (FDI): Attracting capital from other countries. •Technological transfer: Introduction of technologies brought from abroad. 7. Financial system •Availability of credit: Simplification of the conditions for obtaining borrowed funds for businesses and the population. •Currency stability: Predictable exchange rates and low inflation. •Stock market development: Simplification of capital raising through the issue of securities. 8. Social factors •Standard of living: Wages, working conditions, access to education and healthcare. •Human capital index: Health level, life expectancy and quality of education. •Social mobility: Opportunities for professional growth and entrepreneurship. 9. Economic factors •Structure of the economy: Increase in the share of high-tech and innovative industries. •Small and medium businesses: Support for entrepreneurship and creation of a favorable business environment. •Infrastructure: Development of transport, energy and telecommunications infrastructure.

10. Sustainable Development •Environmental sustainability: Reducing the negative impact of production on the environment. •Green economy: Developing industries related to renewable energy sources and waste recycling. •Social justice: Reducing inequality and increasing the availability of resources.

At the same time, a certain amount of time is needed for the mass development of the production of this product. Manufacturers can only achieve the minimization of such a lag, but not its permanent elimination. It follows that the desire of the main subjects of the economy for economic growth always exists regardless of the level of development achieved in society. However, the real conditions of production do not always allow the growth potential to be realized. In these conditions, depression or economic decline occurs, which can be caused by both internal economic factors and external ones in relation to the national economy (for example, wars, changes in domestic or international policy, etc.).

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