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Role Of Innovation In The Economy

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ABSTRACT

The article provides a brief analysis of the main theoretical approaches to the role of innovation in the economy. The place and role of innovations in the reproduction process are considered.

KEYWORDS

Innovations, innovations, technological progress, economic growth, economic cycles, innovative industries, production.

INTRODUCTION

The transformations in the world economy at the beginning of the 21st century became the basis for a change in the type of social reproduction - non-material production (science, information, knowledge) prevails over material production. Innovation is the foundation of this type of economic development.

The role of innovation is determined by the approaches existing in economic science, which determine the place and role of innovation in the production process.

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The 20th century is a springboard for the scientific study of innovation. Three stages stand out in the development of innovation theory. [6, 18] 10-40 years of the XX century are the basis for the formation of the foundation of the theory;

- 40-60 years - this is the stage of analysis and development of innovative ideas of the previous period;
- Third stage, 70 years of the XX century, is associated with a technological breakthrough and its spread in the world economy. J.Schumpeter in his work "Theory of Economic Analysis" singles out innovation as an object of research. In his work, the author considered innovations as "new combinations of changes in economic development", where he showed five combinations. [5, 159]

- Creating new products or improving an existing product;
- Use of new materials and raw materials;
- Improvement of equipment and technologies for the introduction of new industries;
- Introduction of new forms of organization of production;
- Search and opening of new sales markets.

Innovation is understood as an organizational combination of factors of production implemented by an entrepreneur, as well as the creation of new goods, methods of production, transportation, sale of goods and the emergence of new industries and markets. Inventions are changes in production technologies; they become innovations as factors of production in the process of economic implementation.

Innovations are the basis of economic growth; contribute to the emergence of new types of production, goods and services.

MATERIALS AND METHODS

Based on basic innovations, J.Schumpeter distinguishes three technological waves:

- The appearance and use of the steam engine;
- The emergence and use of the railway;
- The appearance of a car and electricity. [5, 217]

J.Schumpeter considers innovation in relation to cyclical changes. The followers of this approach are N.Kondratyev, S.Kuznets. N.Kondratyev considered the relationship between “downward” and “upward” phases of cycles with the introduction of innovations. Innovation spreads unevenly, in leaps and bounds, and catalyzes the growth phase of the cycle. [1, 33-35]

S.Kuznets, in his works, explains the reasons for innovative economic growth, based on the historical experience of the development of the world economy. In his opinion, epoch-making innovations are the cause of economic changes that have brought about significant changes in the way of production and the economic system. [2, 105-108]

Science is the basis of economic growth; it is designed to solve the problems of social reproduction. The progress of science is the basis for resolving the problems of social reproduction, "the introduction and application of technological innovations, which are the essence of economic growth, are closely related to the development of science that contributes to technological progress". [6, 27]

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Innovation leads to the transformation of the economic system, as well as contributing to changes in the social and political spheres.

Such scientists as B.Twiss and G.Mensch made a significant contribution to the study of innovation.

According to B.Twiss, the economic development of any country depends on scientific knowledge and modern technologies. He understands innovation as the economic implementation of an idea, which is an "invention". According to Twiss, innovation is a process in which an idea takes on an economic content. Innovation "It is a process that brings together science, technology, economics and management. Receiving novelty, the birth of an idea, its commercial implementation is the basis of innovation. "[4, 40]

G.Mensch, in his works investigated the relationship between innovation and economic cycles.

G.Mensch singles out innovative activity as the basis for changing the phases of the economic cycle. According to G. Mensch, innovations in cyclical fluctuations of the economy are distributed unevenly and scattered over time, causing a change in the phases of stagnation and growth. The unevenness of innovation is associated with the activities of economic agents, and not with a lack of new knowledge. At the initial stage of economic activity, innovation is risky for entrepreneurs, but during a depression, entrepreneurs are forced to invest in new, innovative technologies.

According to G.Mensch, innovation is understood as a technological innovation with its industrial implementation. [3, 14-17]

With the emergence and implementation of innovations, new industries and spheres of production, goods and jobs appear. During a downturn and depression in an economy, basic innovation is needed. Their introduction leads to economic growth.

According to the theory of G.Mensch, two more types of innovations are distinguished: innovations, improvements and apparent innovations. The first type of innovation leads to the improvement of industries, processes, goods, and improves their quality. Over time, the innovation process turns into an innovative product. And the innovation of improvement is giving way to apparent innovation, such as a design change, which in the future leads to stagnation in the economy. This period is characterized by insignificant investment in innovation; capital is transferred to financial markets. Production capacities remain underutilized, and recession and depression begin in innovative industries. During this period, there is a need for new innovations to overcome the technological stalemate (stagnation). During this period, basic innovations exhaust their potential and stagnation begins in economic development. [3, 15]

RESULT AND DISCUSSION

In the long term, this period is a short-term phase, but it can lead to stagnation processes in the economy as a whole.

G.Mensch notes that it is the basic innovations that are the basis of economic growth. Enterprises that develop due to basic innovations lose stability over time, since they hold on to the old and do not produce new innovative products, which leads to a crisis, and there is a need to create new innovations

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that will bring enterprises out of technological stagnation.

German economist A.Kleinknecht investigated the formation of an innovation cluster. He distinguished between the innovation-product cluster and the innovation-process cluster. Innovation as a product is formed during a depression, but as a process, innovation is manifested in the growth phase. [9, 81]

In the neoclassical theory of innovation, innovation is considered as the main impulse for development, coming from new types and methods of production, transportation of new types of goods, new forms of organization of social production, which take into account the cyclical development of the economy.

A certain place in the theory of innovations is occupied by concepts that consider the formation of technological systems and the spread of innovations, whose representatives are the English economists J.Clarke, K.Freeman and L.Soete.

This concept understands the economic system as a system of interrelated families of technical and social innovations. [7, 36]

According to this theory, the rates of economic growth are interconnected with technological systems. Productive innovation creates a new industry, the life cycle of which consists of four phases: inception, growth, maturity, decline. [8, 56] Throughout the life cycle of an industry, technological innovation displaces product innovation, thus creating new industry cycles. Thus, such a diffusion of innovations is a diffusion process, which in turn is a mechanism for the development of a technological system. However, the diffusion process requires support and special conditions. K.Freeman considers the emergence and development of basic innovations in individual industries as the engine of economic development, and the emergence of new industries as the engine of economic growth.

Also K.Freeman's merit is the development of innovative theory in conjunction with employment problems. As a result of research conducted by K.Freeman, it was concluded that innovation is the main factor causing fluctuations in all spheres of the economy. However, employment, in this case, acts as a "switch" of economic activity. [7, 96-98]

CONCLUSION

The emergence of innovations causes the emergence of new branches of social production, therefore, the demand for labor increases. At the initial stage, demand is limited, as production volumes in the new industry are small. But as the industry grows, so does the demand for labor at the stage of saturation of the market with goods of a new industry. The need for labor is starting to decline.

In the modern period, the trend of growth in the share of non-material production in the economy continues. The emergence and development of innovations in information technology causes a multiplying effect, expressed in the emergence of new branches of social production of intangible goods. As a result, new professions, jobs and social groups appear. This process requires a deeper analysis, the purpose of which is to identify new areas of material and non-material production, their growth rates and development prospects.

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