RETHINKING TERRITORY DEVELOPMENT IN GLOBAL COMPARATIVE RESEARCHES

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Abstract

From previous international research experience of the authors, they have a sense that Economics of Development, as well as the global ratings make a systemic error, losing sight of the fact that in a global space, there are different types of territory development (TD). It is time to shift the focus from *how much* the economy produces, to *what* it produces, and *why*. Based on the data of GCR, the authors offer an alternative Global Rating of TD, which compares a country not with other one, but with itself during some period of time. First attempts of the economic theory in rethinking TD were made by F.Braudel in 1967, who argued that the world's economic history is presented as an alternation of dominance of autonomous regions — world-economies. In their research authors were checking the *hypothesis* within pluralistic (qualitative) paradigm of TD: there are many types (qualities) of TD in the world, many self-reliant "developments", not a single quantitative path of development as it is within evolutionary (quantitative) paradigm. The practical result of this research is the idea that so-called "developed" countries of the world are not so developed, al least because of their low growth capacity, but so-called "underdeveloped" countries in general have just another type (quality) of development.

Keywords: Territory development, type (quality) of development, "developments", global comparative researches, evolutionary (quantitative) paradigm, pluralistic (qualitative) paradigm, growth capacity

Introduction

The idea of this research emerged as a result of numerous international scientific contacts and trips, as well as of some years' common work of the authors on the topic of territory development (TD) (Boronenko et al. 2012; Lonska, Boronenko 2012, 2013). A number of practical examples, which for a glance seem not very important for scientific understanding of TD, but all together, become an impulse for this research:

- Knowing about the problem of infant mortality in the Bashkortostan (Russia), the authors learned that the Bashkirs do not perceive it as a serious problem, because natural selection in this society is an acceptable fact. Thus, reading the works of scientists (mostly the Western ones) working in the Economics of Development and offering solutions to the problem of high infant mortality rates, there is a question: how are we going to solve the problem which the target society itself does not perceive as a problem which needs a fundamental solution?
- Participating in the international conference in Pakistan, one of the authors (Boronenko 2013) thought: how can we compare, for example, the GDP of Pakistan and Latvia, if Pakistan does not produce/consume alcohol, does not use the services of sobering-up station and drug treatment, no discos, gambling houses, striptease bars (so-called "antigoods" (Rosefielde 2002)) - anything that gives a considerable share of GDP in Latvia?

- Reading about the experiences of the Soviet singer L.Zykina from a trip to the USA in 1965, the authors find a description of the fashionable salon shop for dogs in New York City, offering among other things, false eyelashes for poodles, pedicures for bichons, etc. Nowadays European market can offer another "important thing" for dogs – Yoga exercises.
- In the Netherlands there is a service - a bus city tour with a guide for favourite soft toys of rich people who, according to their owners, "are tired of sitting at home," in Moscow, there are also brothels for dogs.
- IT professionals around the world make billions by creating electronic games of doubtful necessity, which are in great demand and "eats up" the time of children and adults.

From all these observations, there is a strong sense that field of economics dealt with TD - Economics of Development (Sen 1983; Todaro, Smith 2011; Thirlwall 2005, 2011), as well as the international ratings (for example, The Global Competitiveness Report (GCR) of the World Economic Forum (WEF)) in their research make a systemic error, losing sight of the fact that in a global territorial space, there are different types, planes, qualities (means – essences) of TD.

There are fundamental questions arising: Is it possible to consider the development of the country, earning on human vices and desires of the people which might be the subject of psychiatry? Is it time to shift the focus from *how much* the economy produces, to *what* it produces, and *why*, that is, to replace the evolutionary (quantitative) paradigm (Alchian 1950; Rostow 1960; Hodgson 1993; Friedman 1998; Gregory, Stuart 2005) of territory development by pluralistic (qualitative) one (Braudel 1967; Manschot, Suransky 2009; Checkel 2013), and to do it both in scientific thinking and in practical decisions?

TD is a field of research, not only for the economics, stating that the basis of one type of development is a model of consumer economics, the basis of another – religious or spiritual economics, etc. To understand the mechanisms of TD and to compare the territories, the need for research of sociological, cultural, anthropological, theological, psychological, historical and other aspects of TD emerges.

With provided research the authors would like to contribute to the fact that Economics of Development as an area of scientific knowledge has become less "Western", and more global. Global in a geographical sense, i.e. based on the works of scientists from all continents (Haq 1976a, 1976b; Sen 1983; James 1996, 1998; Benner, Pastor 2011; Cooke 2012; Yeung 2012; Pike 2013), as well as in a disciplinary sense, i.e. using the knowledge of various sciences (Braudel 1967; Odella 2002; Berry et al. 2003; Turchin 2003; Mosse 2011).

Methodology of the research

General objective of the research is to reconsider the conceptual understanding of TD according to contemporary reality (or even many realities) of the global world based on the pluralistic (qualitative) paradigm of TD, but using also elements of evolutionary (quantitative) paradigm.

To achieve this objective some methods are applied: on the phase of formulation and description of the problem - the method of induction and the monographic method, on the data collection phase - sociological and statistical methods, on the phase of processing and analysis of the data - the methods of quantitative and qualitative comparative analysis, on the phase of interpretation and presentation of research findings - graphic and mapping methods.

Researching TD topic, the authors use the methodological approach, which is based generally on the pluralistic (qualitative) paradigm and perceive TD as a unique self-sufficient model for each country. But also the elements of evolutionary (quantitative) paradigm are used researching TD of many countries of the world. We can assess growth capacity of each country also quantitatively, comparing countries "with themselves" during definite time

period. So, it will be possible to cluster countries within two dimensions of TD – in comparison with itself (growth or decline during the definite time period) and in comparison with others (global competitiveness index (GCI) of the World Economic Forum).

Research findings and discussion

Based on the results of the study of the global competitiveness of countries that has been systematically implemented by the WEF for the past several decades, the authors tried to offer the Global Rating of TD, which compares a country not with the other countries of the world (which may have a completely different type of development), but with itself for a relatively long (2005-2012) period of time calculating average annual growth or decline of each country. The results are quite surprising and speaking in favour of the qualitative paradigm of TD (the authors mean here the fast growth of so called "underdeveloped" countries in comparison with "world leaders", and especially interesting the fact that this estimation is the result of common measurement methodology – so, "underdeveloped" African and Asian countries have more growth capacity even measuring it by "western" methodology).

Table 1 Rating of territory development in comparison with rating of global competitiveness 2012, n = 114 countries

Rating of territory development, average annual change of GCI during 2005-2012			**Rating of global competitiveness, score of GCI 2012**		
Country	**Rank**	**Average changes of GCI scores**	**Country**	**Rank within 114 countries**	**Score of GCI 2012***
Qatar	1	+0.15	Switzerland	1	5.72
Cambodia	2	+0.12	Singapore	2	5.67
Ethiopia	3	+0.10	Finland	3	5.55
China	4	+0.08	Sweden	4	5.53
Gambia	5	+0.08	Netherlands	5	5.50
Turkey	6	+0.07	Germany	6	5.48
Albania	7	+0.07	USA	7	5.47
Guatemala	8	+0.07	UK	8	5.45
Panama	9	+0.07	Hong Kong	9	5.41
Mali	10	+0.07	Japan	10	5.40
UAE	11	+0.07	Qatar	11	5.38
Georgia	12	+0.07	Denmark	12	5.29
Guyana	13	+0.07	Taiwan	13	5.28
Peru	14	+0.06	Canada	14	5.27
Indonesia	15	+0.06	Norway	15	5.27
Bahrain	16	+0.06	Austria	16	5.22
Sri Lanka	17	+0.06	Belgium	17	5.21
Honduras	18	+0.06	Australia	18	5.12
Chad	19	+0.06	Korea	19	5.12
Bolivia	20	+0.06	France	20	5.11
Azerbaijan	21	+0.05	Luxembourg	21	5.09
Moldova	22	+0.05	New Zealand	22	5.09
Bosnia and Herzegovina	23	+0.05	UAE	23	5.07
Ecuador	24	+0.05	Malaysia	24	5.06
Brazil	25	+0.05	Israel	25	5.02
Morocco	26	+0.05	Ireland	26	4.91
Kuwait	27	+0.05	China	27	4.83
Paraguay	28	+0.04	Iceland	28	4.74
Phillipines	29	+0.04	Chile	29	4.65
Mongolia	30	+0.04	Estonia	30	4.64
Malawi	31	+0.04	Bahrain	31	4.63
Mexico	32	+0.04	Spain	32	4.60
Benin	33	+0.04	Kuwait	33	4.56

Tajikistan	34	+0.04	Thailand	34	4.52
Cameroon	35	+0.04	Czech Republic	35	4.51
Mauritius	36	+0.04	Panama	36	4.49
Armenia	37	+0.04	Poland	37	4.46
Costa Rica	38	+0.04	Italy	38	4.46
Nicaragua	39	+0.04	Turkey	39	4.45
Tanzania	40	+0.04	Azerbaijan	40	4.41
Kenya	41	+0.03	Lithuania	41	4.41
Bulgaria	42	+0.03	Malta	42	4.41
Kazakhstan	43	+0.03	Indonesia	43	4.40
Dominican Republic	44	+0.03	Brazil	44	4.40
Vietnam	45	+0.03	Portugal	45	4.40
Macedonia	46	+0.03	Kazakhstan	46	4.38
Bangladesh	47	+0.03	South Africa	47	4.37
Timor-Leste	48	+0.03	Mexico	48	4.36
Uruguay	49	+0.03	Mauritius	49	4.35
Uganda	50	+0.02	Latvia	50	4.35
Ukraine	51	+0.02	Costa Rica	51	4.34
Botswana	52	+0.02	Slovenia	52	4.34
Netherlands	53	+0.02	Cyprus	53	4.32
Colombia	54	+0.02	India	54	4.32
Russia	55	+0.01	Hungary	55	4.30
Romania	56	+0.01	Peru	56	4.28
Kyrgyz Republic	57	+0.01	Bulgaria	57	4.27
Zimbabwe	58	+0.01	Philippines	58	4.23
Madagascar	59	+0.01	Jordan	59	4.23
Poland	60	+0.01	Russia	60	4.20
Namibia	61	+0.01	Sri Lanka	61	4.19
Malta	62	+0.01	Colombia	62	4.18
Hong Kong	63	+0.01	Morocco	63	4.15
Switzerland	64	+0.01	Ukraine	64	4.14
Luxembourg	65	+0.01	Slovak Republic	65	4.14
Croatia	66	0.00	Uruguay	66	4.13
Malaysia	67	0.00	Vietnam	67	4.11
Trinidad and Tobago	68	0.00	Georgia	68	4.07
Pakistan	69	0.00	Romania	69	4.07
Singapore	70	0.00	Botswana	70	4.06
Mozambique	71	0.00	Macedonia	71	4.04
India	72	0.00	Croatia	72	4.04
Italy	73	0.00	Armenia	73	4.02
Sweden	74	0.00	Guatemala	74	4.01
Belgium	75	0.00	Trinidad and Tobago	75	4.01
Algeria	76	0.00	Cambodia	76	4.01
Ghana	77	0.00	Moldova	77	3.94
Norway	78	-0.01	Ecuador	78	3.94
UK	79	-0.01	Bosnia and Herzegovina	79	3.93
South Africa	80	-0.01	Albania	80	3.91
Thailand	81	-0.01	Honduras	81	3.88
Nigeria	82	-0.01	Namibia	82	3.88
Germany	83	-0.01	Mongolia	83	3.87
Cyprus	84	-0.01	Argentina	84	3.87
Japan	85	-0.01	Greece	85	3.86

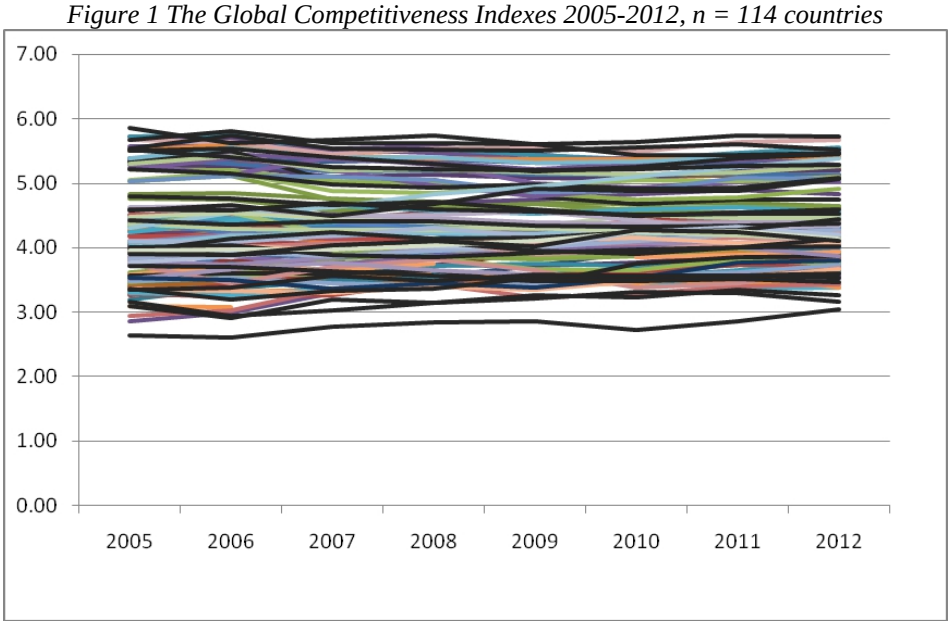
Lithuania	86	-0.01	Gambia	86	3.83
Latvia	87	-0.02	Tajikistan	87	3.80
Canada	88	-0.02	El Salvador	88	3.80
Austria	89	-0.02	Ghana	89	3.79
New Zealand	90	-0.02	Bolivia	90	3.78
Jordan	91	-0.02	Dominican Republic	91	3.77
Korea	92	-0.02	Kenya	92	3.75
Finland	93	-0.03	Guyana	93	3.73
Australia	94	-0.03	Nicaragua	94	3.73
Chile	95	-0.03	Egypt	95	3.73
Portugal	96	-0.03	Algeria	96	3.72
Israel	97	-0.03	Cameroon	97	3.69
Spain	98	-0.03	Paraguay	98	3.67
Hungary	99	-0.03	Nigeria	99	3.67
Argentina	100	-0.03	Bangladesh	100	3.65
Taiwan	101	-0.03	Benin	101	3.61
Czech Republic	102	-0.04	Tanzania	102	3.60
El Salvador	103	-0.04	Ethiopia	103	3.55
Venezuela	104	-0.04	Uganda	104	3.53
France	105	-0.04	Pakistan	105	3.52
Slovenia	106	-0.04	Venezuela	106	3.46
Ireland	107	-0.04	Kyrgyz Republic	107	3.44
Slovakia	108	-0.05	Mali	108	3.43
Egypt	109	-0.05	Malawi	109	3.38
USA	110	-0.05	Madagascar	110	3.38
Estonia	111	-0.06	Zimbabwe	111	3.34
Greece	112	-0.06	Timor-Leste	112	3.27
Denmark	113	-0.06	Mozambique	113	3.17
Iceland	114	-0.09	Chad	114	3.05

** measured by the scale 1-7*

Source: compiled by the authors using the data of Lopez-Claros et al. 2006, Schwab 2012.

In the Global Rating of TD (see Table 1) the first positions are occupied by countries that never appeared there in the GCR. A simple calculation of average annual changes of the Global Competitiveness Index (GCI) during 2005-2012 showed that these countries have the highest growth capacity. On the contrary, the last positions of the rating of territory development are occupied by the countries with traditionally high competitiveness, but with the marked tendency that a modern economic thought calls *devolution* (Bradbury 2009). As the scores of Global Competitiveness Indexes for the period of 2005-2012 graphically shown on Figure 1 can empirically prove, there is no tendency of increasing the gap between so called “developed” and “underdeveloped” countries of the world, vice versa – this gap was decreasing during the period of 2005-2012, especially because of the rapid increase in competitiveness of outsiders of the global competitiveness rating, but also due to the decrease in competitiveness of permanent rating leaders The USA, Scandinavian and Western European countries.

Figure 1 The Global Competitiveness Indexes 2005-2012, n = 114 countries



Source: elaborated by the authors using the data of Global Competitiveness Reports of the World Economic Forum.

Some attempts of a systematic analysis of the TD in the framework of the pluralistic (qualitative) paradigm with the help of a cluster analysis. Results of grouping countries by their so-called "initial" competitiveness level (sckre of GCI 2005) and growth capacity (annual average changes of GCI during 2005-2012) showed that there are four main clusters, and two of them have two sub-clusters (see Table 2).

Table 2 Clusters and sub-clusters of countries identified by competitiveness level and growth capacity, n = 114 countries

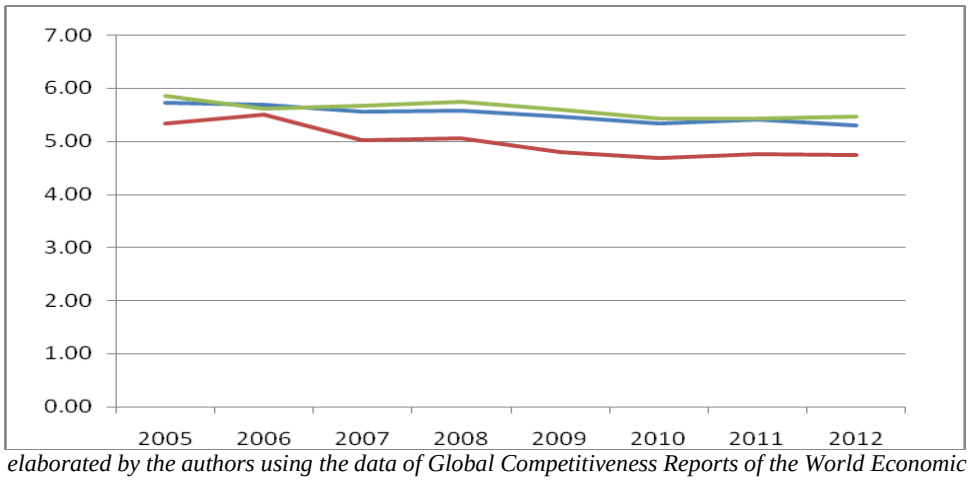
Clusters of countries	**Characteristics of sub-clusters**	**Competitiveness level, average GCI 2005 score**	**Growth capacity, annual average changes of GCI during 2005-2012**	**Clusters' Members**
Leaders without growth capacity	Highest initial (2005) competitiveness level and highest pace of declining	5.64	-0.07	USA, Denmark, Iceland
	Higher initial (2005) competitiveness level and accordingly lower pace of declining	5.38	-0.01	Switzerland, Singapore, Sweden, Finland, Germany, Netherlands, Japan, UK, Hong Kong, Canada, Taiwan, Belgium, Norway, France, Austria, Australia, Malaysia, Israel, Luxembourg, Korea, New Zealand, Ireland
Mid-performers without growth capacity	Highest-middle initial (2005) competitiveness level and relatively high pace of declining	4.26	-0.02	Chile, Estonia, Spain, Czech Republic, Thailand, Poland, Italy, Lithuania, Portugal, Cyprus, Hungary, South Africa, Malta, India, Slovenia, Latvia, Russia, Colombia, Slovak Republic, Jordan,

				Croatia, Romania, Botswana, Trinidad and Tobago, Namibia, Argentina, Algeria, Greece, El Salvador, Egypt, Ghana, Pakistan, Venezuela, Nigeria
Mid-performers with growth capacity	Middle initial (2005) competitiveness level and highest pace of growth	4.31	+0.15	Qatar
	Lowest-middle initial (2005) competitiveness level and relatively modest pace of growth	3.69	+0.04	China, UAE, Kuwait, Bahrain, Indonesia, Panama, Sri Lanka, Brazil, Mauritius, Azerbaijan, Mexico, Turkey, Costa Rica, Uruguay, Vietnam, Peru, Kazakhstan, Morocco, Bulgaria, Philippines, Albania, Macedonia, Ukraine, Guatemala, Honduras, Georgia, Armenia, Moldova, Mongolia, Gambia, Bosnia and Herzegovina, Ecuador, Kenya, Bolivia, Benin, Tajikistan, Bangladesh, Guyana, Dominican Republic, Nicaragua, Cameroon, Malawi, Tanzania, Uganda, Paraguay, Kyrgyz Republic, Madagascar, Timor-Leste, Zimbabwe, Mozambique
High-speed convergers	Lowest initial (2005) competitiveness level and very high pace of growth	2.91	+0.09	Mali, Ethiopia, Chad, Cambodia

Source: calculated by the authors using cluster analysis technique on the data of Global Competitiveness Reports of the World Economic Forum.

The following Figure illustrates countries which represent the first sub-cluster of "leaders without growth capacity" – USA, Denmark and Iceland - which have highest initial (2005) competitiveness level and highest pace of declining (see Figure 2). Could we really call these countries by developed ones, if they systematically show not growth capacity, but decline during the period of last seven years?

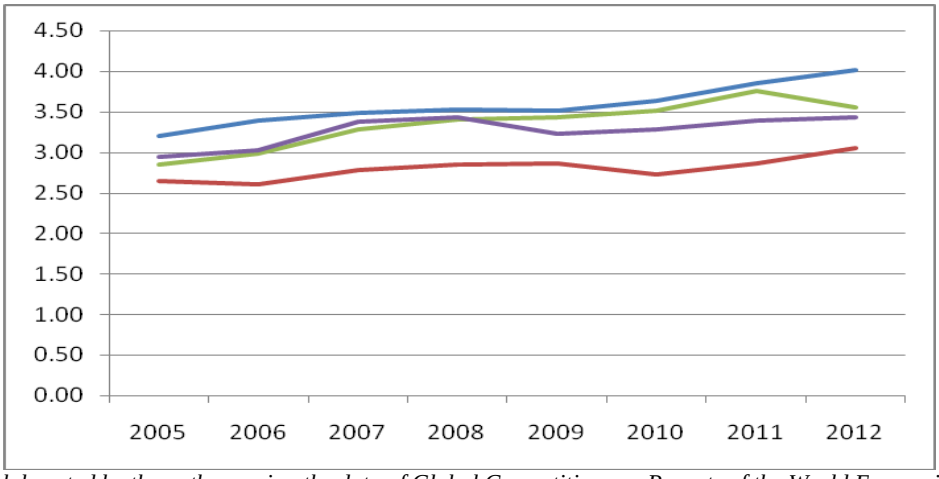
Figure 2 Leaders without growth capacity (highest initial (2005) competitiveness level and highest pace of declining), n = 3 countries (USA, Denmark, Iceland), average GCI 2005 = 5.64 scores, average annual decline = -0.07 scores



Source: elaborated by the authors using the data of Global Competitiveness Reports of the World Economic Forum.

Figure 3, in its turn, illustrates a high growth capacity of the cluster of "high-speed convergers" – African and Asian countries, which have lowest initial competitiveness level (GCI 2005), but show very high pace of growth and great potential for territory development.

Figure 3 High-speed convergers (lowest initial (2005) competitiveness level and very high pace of growth), n = 4countries (Mali, Ethiopia, Chad, Cambodia), average GCI 2005 = 2.91 scores, average annual growth = +0.09 scores



Source: elaborated by the authors using the data of Global Competitiveness Reports of the World Economic Forum.

While analysing the correlation between countries' scores of the Global Competitiveness Index (GCI) 2005 and their growth capacity, there was noticed a very interesting and statistically significant ($p<0.05$) regularity – the higher the country's initial competitiveness level, the lower its growth capacity is ($r=-0.618$, $p=0.000$) (see Table 3).

Table 3 **Interconnection between global competitiveness of countries and their growth capacity, Pearson correlation coefficient, 2012, n = 114 countries**

Correlated variables	**Parameters of correlation analysis**	**Global competitiveness of countries, score of GCI 2012**	**Growth capacity of countries, average annual change of GCI during 2005-2012**
Global competitiveness of countries, score of GCI 2012	**Pearson correlation coefficient**	1.000	**-0.618****
	Significance (2-tailed)	-	0.000

*** Correlation is significant at the 0.01 level (2-tailed).*

Source: correlation analysis performed by the author using the data of Table 1.

It turned out that exactly in countries with lower competitiveness level there has been noticed some growth capacity. However, today it is more difficult for the more competitive countries to ensure development. It may be indicative of the fact that they have reached this high competitiveness level as a result of unbalanced and excessive (sometimes even meaningless) usage of resources.

M.Porter emphasizes that the new economic theory will clarify why the internationally-competitive agents choose particular territories as a place of their physical location. Exactly these are the territories which create and support such an environment which allows agents to succeed on the global scale. Functioning agents can work out and implement their development strategy at these territories; most efficient production processes and high-skilled labour force are localized there (Porter 1998). In addition, the new economic theory will also determine why the world's most competitive countries are rapidly losing their positions in the Global Competitiveness Rating, while at the same time the traditionally less competitive countries increase their competitiveness equally fast. First attempts of the new economic theory to answer this question were made by F.Braudel, who argued that the world's economic history is presented as an alternation of dominance of certain economically autonomous regions of the world — worlds-economies (Braudel 1967). Then, in the 1970s the first report of the Club of Rome "The Limits to Growth" was published (Meadows et al. 1972), later also the second report, which used the resource approach and developed the concept of "organic growth", considering that every territory as a separate cell of the living organism of the world with resources of different quiddity and own function, which have to be fulfilled instead of aspiration for universal quantitative indices of development (Mesarovic, Pestel 1974).

The group of experts of the WEF suggests assessing the sustainable competitiveness of nations using the "sustainability-adjusted GCI" (Bilbao-Osorio et al. 2012). Arguing that the loss of competitiveness of the leading countries is because of their social and environmental sustainability, they calculated the GCI 2012 with an amendment on this sustainability, which essentially "flattened" the picture, raising GCI of leading countries and reducing the GCI of the rapidly growing countries. The authors believe such an approach to explaining the global trends of TD still fail for the reason that probably the same social and environmental sustainability the country-leaders had in 2005. So, GCI 2005 also could be adjusted based on the same social and environmental sustainability showing the proportionally biased results. Then there is absolutely no difference at least in the topic of TD.

So, it's difficult to disagree that the situation requires an innovative understanding and further in-depth systemic analysis working out scenarios of TD in a global world. An empirical analysis of data of global comparative researches shows that there are many qualities (types, essences) of TD in the world – many "developments", not one quantitative path of development.

Conclusions

1) The authors' created alternative Global Rating of territory development is calculated on the basis of average score of annual growth/decline of each country - growth capacity of a country, using the data of the Global Competitiveness Rating of the World Economic Forum.
2) The authors have found statistically significant tendency of a middle strong negative correlation ($r=-0.618$, $p=0.000$) between achieved competitiveness level of a country and its growth capacity – countries with higher competitiveness level (so-called "developed" countries) have lower growth capacity.
3) Using the technique of cluster analysis, the authors have found four main groups of the world's countries, which represent conceptually different essences (types, qualities) of development. It turns us to rethink territory development in global aspect, because so

called “developed” countries of the world are not really so developed, al least because of their low growth capacity, but so-called “underdeveloped” countries in general have just another type (quality) of development.

4) The authors of this research argue that it is incorrect to compare territories with different types of development with each other, and it is better to compare them over time in relation to themselves, using the methodology of pluralistic (qualitative) paradigm of territory development.

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