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**INFLUENCE OF INNOVATIONS ON THE MODEL OF
ECONOMIC DEVELOPMENT TRANSFORMATION**

Abstract: In the paper, the influence of innovations has been analysed through the prism of the author approach to the competition of civilizations which is taking place in the world. The author singles out in his works and considers innovative competitions among six different civilizations in the world: Euro-Atlantic, Chinese, Hindu, and Latin American, African and Muslim ones. Under this process, innovations can be either with positive or negative connotation. The author considers main elements of economic models of each civilisation showing various aspects of economic, industrial and social-political innovations of modern time. In the paper, key points of success of the author's national capitalism model of economic development have been presented for the European countries that are considered as a branch of Euro-Atlantic civilization. It is concluded that creative, vital forces of society should undertake responsibility for the development and move the pace of innovation progress towards non-harm direction.

Keywords: innovation; industrial revolution; civilization; economic model; socio-economic mode; capitalism; national capitalism; region; city; creation; destruction; chaos.

JEL Classification: F01, F29, F33, F42

Introduction

How does the socio-economic model of any country change and transform? We know that there are processes of transformation, reformation and revolution. Ukraine, as many other countries, goes through all 3 afforested processes. If the intellectual community of the country doesn't influence these processes, then rebellion, entropy and collapse comes to the country. Innovations are the systematic factors that can positively change the model of a country. On the other hand, the economic model cannot be changed without innovations otherwise it becomes archaic, atavistic and the processes of entropy begin. The model gradually comes to the collapse of the system.

We can observe these processes in the whole world because of the World economic crisis of 2007. My research shows that we have started

the second phase of the World crisis in 2013. It is a structural and systemic crisis that has started in financial sector, in the sector of estate and hypothec and has spread to other sectors and primary modes. We are living in a period when the fifth and the sixth technological modes must be established. The fifth socio-economic mode is computer systems, Internet, communication channels. The sixth socio-economic mode is nanotechnologies.

Which modes will die off? Where there are no innovations? It is coal industry, mining of minerals, extraction of oil, gas. They are replaced with various alternative energy supply systems. This is a good example of how innovations dynamically come to the manufacturing sector. Talking about innovations we should realize that previously there was a big gap between the idea, its elaboration and transformation into patent. Today this gap becomes much smaller. Distance between the idea and its realization in production is characterized with the economic model of every specific country and civilization.

Literature Review

To the issues of modern economic development and model transformation globally and in different regions of the world are devoted the researches of J. Bhagwati (2002), P. Hawken, A. Lovins, and L. Hunter (1999), A. Rand (1986), E. Reinert (2014), O. Soskin (2012; 2013; 2014), N. Matviychuk-Soskina (2013; 2014), M. Wolf (2003), R. Mishra (1990), A. Vasconcellos (2001), Yu. Yonay (1998). The issues and shortcomings of crises and economic asymmetry in the modern world are discussed by J. Jäger and E. Springler (2015).

Results

Today, the competition of civilizations takes place. There are 6 different civilizations in the world: Euro-Atlantic, Chinese, Hindu, Latin American, African and Muslim. The most radical one is Muslim because it involves the most drastic methods (including innovations) to conquer human living space. That's why the innovation can be either positive or negative connotation. For example, a massive massacre made by military is also an innovation that destroys the basis of human development. Military methods that the Russian Federation applied in Syria - is also an innovation. It is one of the most powerful innovations in human history that aim to eradicate cities and capturing geopolitical space.

Russian Federation builds its geopolitical and geo-economic centre of civilization on the basis of archaic mode. It didn't stop oil and gas extraction.

The United Kingdom European Union membership referendum is also a geo-economic innovation. Great Britain is struggling to create a new geopolitical and geo-economic centre, it is one of the most powerful countries that puts into practice high-tech innovations in the financial, banking and monetary sector. Lion's share of the offshores is a part of Commonwealth of Nations (formerly the British Commonwealth) and most world money transfers and bank accounts were created by English global bank capital. Singapore, Hong Kong, Taiwan, Cayman Islands, British Virgin Islands, Bermuda are somehow controlled by Great Britain. These are high-tech offshores that belong to the fifth technological mode that creates a powerful financial and innovative space for the UK. Great Britain becomes a centre of Euro-Atlantic civilization and for this reason USA President Barak Obama visited Great Britain and negotiated about its staying in the European Union. Considering that Queen Elizabeth II is formally the Head of Canada, Australia and India, Great Britain influences afforested countries.

Hereby, there are different aspects of innovations. The basic civilization that we develop in is the European civilization. European countries that are considered as a branch of Euro-Atlantic civilization must be characterized with next constituent elements:

- Model of national capitalism, i.e. the middle class, as the basis for the development of society (not the Ukrainian bipolar model in which 20% of millionaires and 80% of the poor).
- Local government.
- Reducing the role of the state, etatisation in the system of economic development.
- Society should consist of at least two-thirds of the middle class (if less than 60%, processes of entropy start in the country).
- Small and medium national bourgeoisie - the basis of sustainable development of any country.
- Democracy and transparent decision-making. Today European bureaucracy seeks to remove the transparency of decision-making procedures. Ready-made solutions that have not been worked out at the government and parliamentary level of the countries are offered to them. A good example is the issue of refugees, when several countries take decision to accept millions of representatives of foreign civilizations into the structure of the European countries. Refugees are also innovations, the adoption of several million refugees is also an innovation, but with unpredictable consequences. This is the erosion of social, national and racial genome foundations. Refugee flow launches different traditions that are not typical for the nation, living in this area and focused on the European tradition.

- Freedom of speech.
- Freedom of enterprise. Nowadays in the European model of development business is increasingly suppressed by bureaucracy. Offshores are the consequence of entrepreneurship restrictions, suppression of capital and enterprise development in certain large areas. It is undermining of the major principles of private enterprise and may be considered as a transition to the hidden forms of public mega-socialistic interference of the state into parasitic layers of bureaucracy. The use of scientific and technological progress takes place. It aims to control the person by taking fingerprints and to kill those who create surplus value.
- Freedom of competition. Any destruction of free competition is fraught with decay and dictatorship regimes.

There are even more indicators, peculiar to the successful European model. One of them is administrative and territorial structure changing. Many countries have gone through this, but not Ukraine. Without fast administrative and territorial structure changing there won't be any innovations development. Administrative and territorial structure change provides also tax system reformation and socio-economic reorganization of the city.

The law of universal capitalist accumulation works within the framework of capitalist production. Oligarchic model of capitalism creates bipolar model of society: 1-2% - billionaires, 15-18% of a weak middle class, 75-80% of poor people, outcasts, paupers, the proletarians. The economic structure of society is organized in the following way: to 70% of the wealth is concentrated in the hands of billionaires, 30-35% remains in the middle class and only 5% in poor people (who constitute 80% of society). Formation of dictatorship is obligatory for this model. Innovations in this case are used by the dictatorship to suppress and control poor people.

The main problem is that poor people do not have private property; they become prisoners of a concentration camp. All innovations are used with this purpose. Dictatorship doesn't want than to offer education for children from poor families. Under such circumstances human capital cannot be formed, people who can bring fifth and sixth technological modes are not formed. The money is not invested in human development. Man is transformed into biomass and the biomass is not able to innovate and to move to the fifth and sixth technological modes.

A clan-oligarchic model of economy is formed in Ukraine. A triad system is formed in this model: a model of state socialism, a model of state-monopoly capitalism (clan-oligarchic structures) and a model of nation capitalism, but it is extremely weak.

Unfortunately, the dead-end model of clan-oligarchic capitalism is formed in Ukraine. It is a stationary bandit model of the state in which a clan-oligarchic group uses all the system innovations for the suppression of the majority population and the deprivation of its means of production and prevents it to produce surplus value. This model was described in the works of Mancur Olson, Norton. It is almost impossible to destroy it without a violent, revolutionary forms and blood shedding. Unfortunately, Ukraine didn't succeed to destroy this model. We took an attempt to overthrow the Yanukovich clan, but eventually Poroshenko family clan-oligarchic group came to power. The model change did not happen. Therefore, an innovative mechanism that operates in Ukraine has a minus sign, especially in conditions of war. Innovations became destructive. The major part of the surplus value goes for the purchase of weapons and the creation of a police state in Ukraine.

What on my opinion we should strive for? The model of «national home» is not my creation. It is operated in Sweden and other Scandinavian countries, Switzerland, Austria. Poland, Czech Republic, Slovakia also aspire to use this model. The states seeks for a good judge who will monitor that all «rules of the game» would be followed. The state never suppresses its people. 10% of this society is rich people who never become bourgeoisie, up to 80% is the middle class and 10% are not rich people, who were not able to master the current innovation systems.

The city becomes successful when it uses innovation for its development. One of the main elements of the innovations is the branding of the city. In order to make the city successful, it must have its own image, credo, logo and motto for people to understand why it is necessary to come to this city. Without good governance cannot be any innovations. Another element is the creation of business incubators and technological parks of integrated type.

Local communities are very important for the development of entrepreneurship, small and medium-sized domestic business. Money and power needs to be transferred to the local levels. The development of innovation-investment model of a city is very important. The cities become creative organisms that form a development area, acquiring an individualized, personalized character. Every city should strive to find its own style and mechanism of development as a unique socio-economic and social space. It is impossible to go to the fifth and sixth technological modes without innovation and technology parks. The main conditions for the development of such parks are institutions of higher education. It is necessary to create business incubators of innovative type to make young people stay at home area. In such incubators one business becomes a consumer of the other business services that develop the integrated business incubator.

Tax system also plays a very important role. Value-added tax, income tax and property tax have exhausted themselves. Our society needs an automatic system of taxation: purchase tax and a reduced income tax that should be not more than 10%. Most taxes (about 70%) should remain on the local levels, because the transfer of the majority of taxes on the national levels forms irresponsible bureaucracy that take added value from the national actors. Solidary pension model has also completely exhausted itself. It is a model of socialist trough, which is invested by every person throughout its life. A person does it because he or she hopes that this trough will help in 30 or 40 years. It is nonsense because a person must decide himself whether to invest in his future or to rely on a country where an average life expectancy is a little bit more than 60 years. Eventually a person who invested in this socialistic trough during a lifetime died and all money were pocketed to bureaucrats.

We also analyzed the experience of Poland. In this country business is growing very fast in innovation centres. Poles are very seriously engaged in this issue, although in recent years this process was also slowed down. They have accumulated a sufficiently large amount of wealth and have decided to go in big politics, rearrange the social mechanisms of redistribution of wealth and power. The country is also characterized by the deterioration of the business environment, bureaucratic circular lifeless technologies increase. Poland and Slovakia become more closed for rich people. The bureaucratic system selects people with some completely lifeless instructions. Bureaucratic layers of Slovakia and Poland that consume added value do not create innovations. Roma people in those countries are more encouraged to develop than other representatives of European civilization who are ready to bring their innovations, money and intellect but are not allowed to enter this area. European bureaucracy system also fails. It is not designed for intelligent people that create the highest added value. The fifth and sixth technological modes - are carriers of the human capital. European Community welcomes people with primitive level of intelligence, education, cultural algorithm and faith and doesn't welcome intelligent people who can bring positive innovations. Canada or USA absorb people of the fifth and sixth technological modes, those ones who own capital and technologies. The degradation of European branch takes place. It collapses under the burden of primary material of atavistic mutant and the United States and Canada on the contrary raise the resource and potential.

My success factors of centre-innovation cities are:

- consolidation, when the differences of structures removed (production, R&D, government and non-governmental organizations);
- synergies with the model that multiplies resources to obtain the best results;

- motivation;
- marketing;
- Information Technology;
- financial support;
- professional staff (there are no innovations without professional staff).

Conclusions

Innovation itself is not a panacea. It can have whether a plus sign or a minus sign. Innovation can help to develop a creative and dynamic organism or on the contrary can create all the prerequisites for the destruction of the existing successful organism. Innovation in the hands of the dictatorship and aggressive military-organism can contribute to the destruction of innovative economic development model.

The second output is that the death of the primary archaic lifestyles comes in the period of the civilization competitions and global confrontation of different systems. It also happens in the phase of fall of the Kondratyev big wave and during the collapse of vertically-deterministic hierarchy system. We need to create an area of continuing and constantly functioning innovations. We need to develop a creative, not entropy human capital. Living organisms, which form the capital of the highest quality level, are universities.

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