

ENCOURAGING SYSTEMIC AWARENESS OF AGENTS IN ORDER FOR ECONOMIC TRANSFORMATION TO EVOLVE INTO A REPRODUCTIVE MECHANISM OF NEW RULES FORMATION

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ABSTRACT

This paper explores the inter-relations between the key development factors which economic transformation literature indicates, by using exploratory factor analysis (EFA) of a dataset of 43 variables, spanning between 2017-2019, for 61 developed and developing countries. The aim is to apply systems thinking, under DSRP framework, in the interpretation of results, in order to highlight structural patterns and evolutionary processes that are unified as economic transformation. The interpretative and guiding key proved to be the fundamental importance attributed to the innovators and entrepreneurs initiating and driving the process, being the social group that forms synergisms of multi-stakeholder networks, inducing inclusive decision-making and setting the rules for open, active involvement of new entrants. This political economy perspective creates the ground for theoretical concepts of creative destruction, path dependence, path creation and transaction costs to be placed in an exploratory dialogue between them. The theoretical underpinnings lay in the field of new endogenous growth, being a platform for incorporating institutional economics, innovation system approach and complexity theory. With this lens, a structural sequence is detected, starting with institutional protection, leading to entrepreneurial culture instigation, enabling productive connections and institutionalizing successful business practices. With political inclusiveness as the motor of the evolutionary trajectory, the emerging momentum tries to overcome the historical dependence of practices from old needs, which raise resistance to institutional change, altogether constituting a reproduction system of a new development life-cycle. This system emerged from EFA, a technique that detects covariance between variables and therefore causality and structure indication. This methodology produced eleven latent factors/performance indicators and four structural dimensions, integrated in a complex systemic framework that constitutes a holistic approach on economic transformation.

This theoretical approach continues the research path that began with the connection of development with institutional economics and systemic innovation. It is now the turn for economic transformation literature to form the basis for development to be understood as a complex adaptive system that copes with structural changes. The originality of the study lies in the attempt to combine two research directions, development as institutional evolution and transformation as a systemic process, offering a path to their next evolutionary step towards a unified approach to economic phenomena. This paper contributes to development policy under systems thinking, which can be viewed as a strategic tool for path creation towards an envisioned future.

Keywords: transformation, inclusiveness, political economy, systems thinking, creative destruction

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