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**JOSEPH ALOIZ SCHUMPETER'S SCIENTIFIC HERITAGE AND TODAY:  
A VIEW FROM THE PAST INTO THE FUTURE**

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The materials of the conference are based on the results of Joseph Schumpeter's research in content of his scientific achievements. Theoretical heritage of scientist and its formation and evolution, modernization mechanisms of socio-economic systems are considered. Also there is a analysis of market transformation, of factors that make economic security of business more strengthened, of trends that are shaping new parameters of international economic relations, of regional economy and industry markets. Social entrepreneurship is exuded like innovative mechanism of social changes and increasing quality of life.

Authors express their own opinion that is concerning on the solving of actual problems. Most of them are from leading educational institutions of Ukraine, Austria, Norway.

It's for all who conducts economic research: scientists, practitioners, school teachers, postgraduates, students.

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**SOCIAL ENTREPRENEURSHIP AND INNOVATION IN SOCIO-  
ECONOMIC DEVELOPMENT**

Currently, the globalization trends showcase the many issues the world faces which have not found good solutions as of yet. Nations around the globe continue to experience socio-economic problems. Regional violent attempts to find solutions can

be observed in various states due to the unleashed desire of masses to rapidly transform the political, social and economic environment into instantly prosperous societies [1]. The potential to solve most of these problems lies in the implementation of principles and approaches of the theory of economic development. Thus, this abstract will discuss the role of social entrepreneurship and innovation in socio-economic development.

In general, the term “socio-economic development” should be understood as the progress in the society and the economy but it provides different meaning when used to describe first-world countries and underdeveloped countries. In the first instance, it is used to describe the further economic growth of states that are already well-off. Yet, in case of underdeveloped countries it refers to finding solutions for problems that are faced by them and thus developing their economic wealth for improving the well-being of their inhabitants. In the context of the latter meaning, socio-economic development equals to the sum of economic successes of institutions and individuals who have the rights to use their talent, ambition, ingenuity, and what education they can get for the expansion of their economic opportunities [1].

Currently, nations and supranational institutions aim at promoting sustainable socio-economic development with the goal of achieving a “prosperous, innovative, knowledge-rich, competitive and eco-efficient economy, which provides high living standards and full and high-quality employment” [2]. For instance, the United Nations has identified and set eight Millennium Development Goals which, once reached, will ensure the well-being of billions of people on the global scale [3]. The importance of this step is supported by the data collected by various international organisations that showcases the drastic differences between the wealth and living standards between the poorest and the richest countries that are measured, for example, by comparing GDP per capita in these countries [4]. In 2016, when the technologies are reaching the levels unseen before (e.g. Mars missions, Internet of Things), the need to bridge this gap is as pressing as ever.

There is an explicit dependence of socio-economic development on the growth of economy and societal dynamics. This dependence serves as the basis for the establishment of the connection between social entrepreneurship, innovation and socio-economic development. In the theory of economics, one of the most prominent models of economic development belongs to the economist Joseph A. Schumpeter, who defined economic development as a “spontaneous and discontinuous change in the channels of the circular flow, disturbance of equilibrium, which alters and displaces the equilibrium state” that existed before [5]. Economic development incorporates “technological, organizational, and resource changes” which provide the basics for economic growth and shape social processes [6, Elliott, 2008, p.27].

According to Schumpeter, development is driven by the introduction of innovation. In this case, innovation implies carrying out the new combinations of land, labour and capital in the way that has not been used before. Such combination is not based on market demands. It is production-oriented and gives entrepreneurial profit. Innovation means implementing something that has not been attempted before, or has been done with a lower level of efficiency. In other words, Schumpeter defined it as the fourth production input factor that would turn around the static way of

production and open up new possibilities economically, socially and so on. In turn, socio-economic development relies greatly on the introduction of new technologies, approaches, laws, etc. Thus, socio-economic development is tightly connected to and highly dependent upon the economic development, and, therefore, on innovations.

In states where citizens have individual rights and freedoms to take advantages of economic opportunities innovation is carried out by individuals, although the existence of “inclusive institutions” which create virtuous circles of innovation, economic expansion and more widely-held wealth is still crucial [1]. Still, historical dynamics of societies show that the most major innovations have been invented and implemented by people with entrepreneurial talents, entrepreneurs. There are several definitions of this term proposed by representative of the classical economic theory, implying the importance of profit. Schumpeter stated, that a true entrepreneur is an independent social agent in the economy. Consequently, the indicator of innovation taking place can be expressed in the form of the entrepreneurial profit. Thus, innovation created within the framework of entrepreneurship has proven to transform societies and drive the changes in the world in the wider sense.

The societies are changing on the ongoing basis in the modern times under the influence of many factors. Social changes might have positive or negative results, and their causes are often perceived as social problems. In some instances enterprises develop in line with social needs to cater for them or as answers to the many social challenges facing them. In such cases we see the rise of social entrepreneurship. Hence, individuals deal with social change in the economy by means of employing their own entrepreneurial talent.

From the theoretical viewpoint, social entrepreneurship is a process contributing to economic development and democratic change of society. The results of a successful social entrepreneurship, among the others, include equal rights, economic development, and social progress [6]. Activities of social entrepreneurship can as the result stimulate the transformation of the economy from agriculture-based to entrepreneurship-based. This is particularly true for developed countries as they have stepped on the path of developing entrepreneurial economy much earlier, and the fruitful results of such transition can already be seen and measured.

The subjects of this process are social entrepreneurs – people who specialise in starting and running the business in the social sector of the economy, and have a unique feeling of innovation and ability to implement it. The results of their work have the potential to change the world and impact lives of millions in spite of origins or whereabouts of the latter.

While there seems to be strong impact of social entrepreneurship and innovation on socio-economic development on the global scale, it must be taken into the account that different regions of the world experience different problems. For each region some of them are more important and stressing right now than for the others. For example, Easter Europe is challenged with war in Ukraine, migration (including the “brain drain”) and demographics situation, issues of cybersecurity, social inequality, inflation, etc. Under this circumstances, one single solution offered by the economic theory that would be adaptable for similar problems in every country cannot exist. One of the reasons for it is that most of the world knowledge of

economics comes from western style thinking, while there have been different political and economic systems in the Eastern part of Europe for the most part of the 20th century. It has only been a quarter of the century since the liberation of the post-Soviet union states, and the region has only been able to enjoy the benefits of the market economy for this period of time. Still, we can clearly see the number of changes in the positive direction in these societies. Of course, many unsolved problems also remain.

The potential to deal with the aforementioned challenges lies in the spread of innovation through modern communication channels. Internet access allows for innovation to be shared with a speed that increases exponentially over shorter periods of time. Given that 44.1% of all Ukrainians can access the Internet, there is a great window of opportunities for the implementation of innovation and establishment of social enterprises [7]. Furthermore, according to Schumpeter, younger people are more innovative than the previous generation. In Ukraine, out of about 45 million people, 12% is 15-24 years old [8]. These factors combined open up many possibilities for socio-economic development.

Overall, many of the problems that countries face around the world can be solved in the process of social and economic advancement by the spread of innovation and introduction of social entrepreneurship. Ukraine's example showcases the potential which, once involved into the process, will drive the necessary change in many developing countries.

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