

Globalization impact on consumption and distribution in society

*Olga Panfilova*¹, *Vladimir Okrepilov*², and *Svetlana Kuzmina*^{3,*}

¹Saint-Petersburg State University of Economics, 21, Sadovaya st., St.-Petersburg, Russia

²Institution of Science Institute of Regional Economic Problems of the Russian Academy of Sciences, St.-Petersburg, Russia

³Saint-Petersburg State Institute of Film and Television, 13, Pravda str., Saint-Petersburg, Russia

Abstract. One of the greatest threats to the capital reproduction globalization is the significant increasing of unemployment. Outsourcing creates workplaces outside the framework of TNCs, but in frames of the national economy. From our point of view this is a way to maximize the financial result. Unemployment, even technical, increases social spending. At the same time, the idea of basic income should change the priorities in the system of distribution of the reproduction result. The key beneficiary of sharing-economy approach is a consumer, who can save something on intermediaries or transaction costs. The development of sharing economy rather indicates that TNCs are not planning to lower their rate of return. However, the growing technological unemployment simultaneously with the stimulation of demand found a solution. The solution is the joint consumption of goods produced by the sharing economy. Historical examples of solution to the problem of distribution clearly demonstrate the importance of transforming the reproductive cycle's financial architecture. The models operating on the basis of fair distribution have not only prospects of development, but also are capable to change society attitude to the concept and approaches to consumption.

1 Introduction

The current financial architecture of the world economy, which implies the parallel existence of two modes of reproduction of capital, actually puts in unequal positions the national economies which are consumers or producers of financial capital.

Thus, world financial centers and world trade center accumulate fast growth of capital reproduction in a simple way, due to fast turnover of capital in trade and in the stock market. While the countries involved in the process of reproduction in the real sector taking into account the characteristics of the reproduction cycle, as well as the cost of capital launching the reproduction cycle, accumulate it much slower or do not accumulate at all. The size of the remaining capital formation at the disposal of the national economy only covers the depreciation costs.

*Corresponding author: kuzmina2003@bk.ru

At the same time, the countries with developed reproductive cycle which provides global RS and JV process, according to the expert, have significant influence on the global processes. It is obvious that China does not agree to be discriminated and it is fact that contemporary V. V. Putin's independent policy excludes the possibility of taking advantages from Russia, as it was done in early 90es.

2 Research methodology and statistics

Undoubtedly, one of the greatest threats to the capital reproduction's globalization is the essential growth of unemployment. Scaled scientific debates are devoted to the topic. As a result, a huge number of negative predictions came in sight.

One of the forecasts predicts the growth of social spending, not only in frames of national economies, but also of the world economy in general. It is obvious that with the progress in high technology the demand for employees will decrease. Globalization leads to the high-tech equipment spread which simply replaces workers in various spheres and this will have crucial impact on reproduction cycle.

Unfortunately, the question of national affiliation is not essential. The fundamental question of the deployment of productive forces is the joint venture. Certain raw materials and DCS that is used in industries could disappear from the face of the earth due to changes in technology.

At the same time, global financial centers and the banking system constantly accumulate and reproduce excessive capital growth. This trend bases on the ability of financial capital to replicate itself. As a result, the social tension will increase, it could affect the reproduction cycle. We face a very specific question about the possibility of redistribution of accumulated capital. This issue, which turned into a practical one, was discussed at the forum in Davos in 2018.

It is obvious that changes in technologies lead to changes in the world economic geography. The development of global capital reproduction processes changes the value of the positive result to the emerging threat of the reproduction process. It is clear that the process itself has to be taken into account. On one hand, you can decide that the world can't operate without the globalization of the reproduction process, on the other hand you can conclude that the opposite points will appear. For instance, globalization of capital reproduction permanently appeals to small and medium-sized participants, forcing TNCs to cooperate with the micro levels of national economies. We call this trend "Neisbitt paradox": "the higher the level of globalization of the economy, the stronger its smallest participants" [1]. The tendency demonstrates several aspects of globalization, including the cooperation of TKN with local producers, as well as the fact that information technologies, and the Internet itself, equalize the competitive advantages of TNCs and national and local businesses, including small and medium-sized.

However, the essence of the process, the reproduction of capital and the national division of labor does not change. Globalization of capital reproduction in the form of TNCs ensures maximum control by the owner of capital over productive capacities. Process approach to reproduction shows the most effective processes from the point of view of profitability.

As practice shows, it is those processes, the profitability of which does not allow to extract a given rate of profit, in view of the specific taxation or the principal composition of the process costs and are transferred from TNCs to outsourcing to small and medium-sized national businesses.

Despite the fact that outsourcing creates jobs outside the framework of TNCs, it is actually the way of maximizing the financial outcome of the reproduction process for TNCs. Namely, the costs are redistributed to the national economy.

In other words, the globalization of the reproduction process as a working model, regardless of the openness or closure of the national economy, contributes to the redistribution of the result of the reproduction of capital in favor of its final beneficiary.

For the most part, it is "unfair", because, given the existence of supranational regulators of the reproduction process, partial or complete discrimination of national economies and national interests with them is carried out.

Undoubtedly, in this situation, there are scientific currents and theories that contribute to the "fair" distribution of the result of the reproduction process.

As practice and retrospective analysis of the socialist system of management, as well as the attitude to consumption and distribution within the socialist system, show the system which built on the basis of a technological approach to management is not viable.

The application of the process approach to the reproduction of capital is carried out, replicated and declared in the ISO standards, COSO model.

The lack of accumulation of the increment of capital, and the lack of correlation of consumption, demand and redistribution is not allowed according with the socialist model to achieve equitable distribution.

As an attempt to combine the process of capital reproduction and fair distribution new and modern theories have emerged that already have accumulated growth of the reproduced capital as a starting point.

One such theory is "unconditional basic income".

This concept of guaranteed income has appeared as utopian. It was born in the XVI century: its original idea is found in the "Utopia" of Thomas More [2].

The idea that each citizen owns a share of national wealth is widespread and has evolved into a political movement.

During the crisis of the 1930s, the idea formed the platforms for political parties participated in elections in different countries.

However, Keynesian-based role of the state in stimulating demand through public policy, as well as the existence of opposite political platforms and system, socialist and capitalist, did not allow the theory to develop and be implemented in practical terms.

One of the followers of J.Keynes-Alvin Hansen proposed to stimulate effective demand at the expense of the state budget.

The strategic direction of the state's economic policy should be not only the maintenance of investment activity of private capital, but also the expansion of public investment and public spending"[3].

So, if we turn to the practice of investment, we can state that, as a rule, public investment is carried out in capital-intensive and have a long payback period and, at the same time, low-profit projects. More likely to be socially efficient, and because of lack of interest in private investment, due to the length of the reproduction cycle and the minimum increment of capital.

At the same time, from the point of budget revenues, we can claim that very often state projects have different kinds of support, including tax benefits. As a result, the conclusion about effectiveness of public investment wouldn't seemed to be correct.

Unemployment increases the social costs of the national economy. Since regardless of the final beneficiary of the capital placed for reproduction in a particular cycle, the state receives only a share of the budget from the increment of capital in the form of taxes and redistributes them in accordance with the priorities of the national economy, that includes not only social spending.

Thus, despite the fact that high-tech reproductive cycle partly or completely absent, and in the composition of the expenses no remuneration shall be provided sales and consumption of a generic product that can be done, fundamentally, through multiple sources:

* the expense of wages, as a resource for consumption (which, unfortunately, is absent due to the absence of labor costs and their payment in the high-tech reproduction cycle)

* the expense of social spending of the national budget (but this is only a fraction of the increment of the reproduced capital and can't fully ensure consumption)

* due to the mathematically accumulated surplus of capital reproduced in previous cycles ("excess" in relation to the new composition of the costs of high-tech reproduction).

Unconditional basic income in its modern interpretation is actually a concept that does not make the income of a person which depend on the results of his work and the use in the process of reproduction of both, labor and intellectual capital.

Payments are made regardless of the position of the company and regardless of the results of any work.

Within the concept of basic income, the society is close to cancel the slogan: "From each according to his ability, to each according to his needs", and to provide it with new content.

The implementation of the concept of unconditional basic income can theoretically compensate the consequences of technological unemployment.

Ultimately, it is a fundamental alternative to social security and unemployment benefits.

At the same time, the idea of basic income should change the level of influence because the growth of the system of reproduction result distribution.

Today it is widespread practice to use motivation payments from Economic value added or EVA as an encourage for top managers of companies.

Thus, it is obvious that in order to be sure that the replication of the cycle will happen, the owners of capital are ready to share the part of the increment of the reproduced capital with employees.

Undoubtedly, the criticism of the basic income has a very strong case and the economic and legal grounds. But at the same time, the BOD concept is trying to solve the problem. It claims that we can use follow circumstances. Firstly, technological unemployment trend. Secondly, the problem of poverty, in general. Finally, in a certain way the increase of society stratification level influences too.

Social security is a mandatory function of the state. However, the globalization of the reproduction process, as well as the supranational institutions existence, directly or indirectly affect the size of social spending.

If we analyze the statements of the richest people in the world, it would be obvious that the idea of the demand in fair redistribution of the financial results of reproduction is realized and accepted in a society. Nowadays, politicians, economists and sociologists widely explore the implementation of different models of guaranteed minimum income.

Some countries have already passed or are undergoing through the experiments.

For example, in the late 1960s there were attempts to implement the idea in the United States. President Richard Nixon tried to reform the social security system by introducing basic income.

However, the specifics of national economies, different amounts of accumulated capital, as well as various risks and nuances of the reproduction process prevent the wide application of the idea. For example, Switzerland had a referendum concerning this issue in 2016. Switzerland, which was prosperous in terms of capital reproduction risks, was afraid to increase the risks, at least social risks due to the influx of migrants, and 80% of voters opposed the innovation.

The experiment to introduce unconditional basic income on January 1, 2017 takes place in Finland, however, against the opinion of trade unions [4,5].

However, the pressure exerted by supra – national regulatory institutions, the reduction of labor demand and at the same time social spending, forced Greece to discuss this idea.

At the same time, it is essential that one of the basic principles of theory to stimulate the demand for growth of goods production, in order to obtain the financial result of the reproduction cycle had practice implementation [6-13].

3 Results

In experiments participate: India, Kenya, Namibia, Uganda, which are potential customers, who provide demand for goods TNCs. They feel the essential impact of technological unemployment.

According to the theory of capital reproduction, the ultimate beneficiaries of capital should share the financial result of reproduction (its profit) for the following purposes:

- * to minimize the risks inherent in the process of capital reproduction
- * to stimulate the demand for goods, to generate profits and to ensure cycle replication.

At the same time, basic income is not the only concept in the context of equitable distribution. In this vein, the idea of the Sharing economy is actively gaining supporters.

4 Discussions

At the same time, within the framework of a separate national economy, the reaction of the state to the increase of unemployment causes changes in the redistribution of the capital reproduction results.

The financial result of reproduction is reduced for the ultimate beneficiary of the capital, thus creating a vicious circle. However, a positive scenario is much preferable for both, the final beneficiary and the national economy.

Thus, the idea of basic income today in the context of globalization of the process of reproduction of capital and, at the same time, political anti-globalization, is the most advanced, has the right to testing and evolution, as a tool transforming the current model of reproduction of capital.

5 Conclusions

The idea is based on the joint (collective) use of goods and services. For Russia, as a Republic of the former Soviet Union, there is nothing new in the idea. It reminds the Soviet collective farms and the socialist economy.

By its content, this economic model is based on collective usage and consumption.

The modern idea has been nominated as a new socio - economic model that must change the vision to the consumption of goods and services.

At the same time, the approaches of sharing-economics themselves, namely, the fact that the economy still has two basic things-production and consumption, but the links between them are strongly transformed, indicate a slowdown in consumption rather than a transformation of the basic model of reproduction.

Consonant with the ideas of socialism, declares that all people should have the right to use the resources of the Earth and "external assets". Money is compared to a tool or access ticket to use these resources.

The sharing economy does not imply any changes in the fundamental model of capital reproduction. The theory of basic income is based on the realizing that owners of capital, in any form, making a profit from the reproduction process must compensate the society fact that the rest (not the owners) can't sell their labor to gain access to the same goods and services from which the owners derive income.

References

1. J. Naisbitt, *Global paradox: the bigger the world economy the more powerful its smallest players* (William Morrow & Co. 3 N.Y., 1994)

2. E.I. Wallich, *History of socialist teachings: collection of articles* (Science, Moscow, 2017)
3. O. Rayskaya, O. Panfilova, *Banking services* **6**, 38 (2017)
4. Yu. Krasilnikova, Haytek, https://hightech.fm/2018/01/07/ubi_2018 (2018)
5. R. Botsman, R. Rogers, K. Foley, *What's Mine is Yours: the Rise of Collaborative Consumption*, <https://www.ebookscom.org/book/9151984>
6. V.V. Okrepilov, S.N. Kuzmina, V.L. Makarov, A.R. Bakhtizin, *Economy of Region*, **2** (2015)
7. A. Mottaeva, J. Četković, *Advances in Intelligent Systems and Computing*, vol 692, pp. 1151-1159 (2018) doi.org/10.1007/978-3-319-70987-1_123
8. A. Mottaeva, *IOP Conf. Series: Earth and Environmental Science* **90**, 012124 (2017) [doi :10.1088/1755-1315/90/1/012124](https://doi.org/10.1088/1755-1315/90/1/012124)
9. T. Tereshkina, A. Mottaeva, L. Andreeva, T. Larinina, *IOP Conf. Series: Earth and Environmental Science* **90**, 012138, (2017) [doi:10.1088/1755-1315/90/1/012138](https://doi.org/10.1088/1755-1315/90/1/012138)
10. A.Seleznev, A. Mottaeva, L. Andreeva, S. Izmaylova, *IOP Conf. Series: Earth and Environmental Science* **90**, 012117, (2017) [doi:10.1088/1755-1315/90/1/012117](https://doi.org/10.1088/1755-1315/90/1/012117)
11. G. Dyakova, S. Izmaylova, A. Mottaeva, E. Karanina, *IOP Conf. Series: Earth and Environmental Science* **90**, 012218 (2017) [doi:10.1088/1755-1315/90/1/012218](https://doi.org/10.1088/1755-1315/90/1/012218)
12. M.A. Bahauovna, M.A. Bahauovna, *International Journal of Applied Engineering Research*, **10(23)**, pp. 43446-434499 (2015)
13. M.A. Bahauovna, M.A. Bahauovna, *International Journal of Applied Engineering Research*, **11(9)**, pp. 6808-6816 (2016)