Fundamental Basis of Slackening of the Rates of Economic Growth in Developed Countries of the World

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ABSTRACT
The article considers basic reasons for slackening of the rates of economic growth by way of research of social and labor, economic and political, innovative and legal factors of influencing this issue.

INTRODUCTION

The economic growth is usually measured by GDP growth values; therefore these values have two sides: the economical and the statistical. The statistical side of GDP amounts is connected with the fact that it is the sum of material values created in the economy (less labor subjects used) and paid services provided. To the structure of the latter belong both material services, and nonmaterial services. We shall proceed from the act that the main GDP growth is its growth as of production of goods and services of material nature, as the sphere of nonmaterial services exists only in case, if for its maintenance the necessary amount of material values is provided by the company. Respectively, growth of nonmaterial services is the value, derived from the availability and growth of material values, including material services to this notion. (Asaliyev, et al., 2013)

Economic growth as growth of production of material values shall be provided with the growth of consumer goods and growth of production means as compared to the previous period (year), which accumulatively may be called «surplus product» of the company, which in the monetary expression is close to the term «consolidated returns» of the company. At the same time this economic growth is the result of growth of only production means, which shall be called «accumulation fund». (Vodachek. And Vodachkova, 2009)

This way, the amount of accumulation fund, on the one side, is always limited by the amounts of the surplus product of the company created, and from the other – it is itself the key factor of growth of this surplus product on the whole.

Under present day conditions there are fundamental factors, which limit and even may lead to reduction of the annual absolute amounts of accumulation fund, which is the reason for arising of the tendency towards slackening of GDP growth rates in the developed countries.

Let’s distinguish three most important reasons for this tendency:
- «social» nature of the modern capital
- «consumable» nature of the modern society
- «military» nature of economics of the developed countries on the whole
Methods:

Detailed investigation of issues of slackening the rates of economic growth in the developed countries stipulates consideration of three basic conditions of present day economy: «social» nature of the modern capital, «consumable» nature of the modern society, «military» nature of economics of the developed countries on the whole.

Main part. 1. «Social» nature of modern capital. The word «social» shall be quoted, as we speak not about the fact that modern capital has just stopped being the source of personal wealth for a small layer of citizens, but only about the fact, that modern capital, though to a different extent, serves the economic interests of general public of employees in the developed countries of the world.

The main participant of the modern economy, from the point of view of volumes of material values and services created, is a joint-stock company. The last shall mean not just a definite legal form of existing of commercial organizations, but, first of all, special capital as the accumulation of production means and other assets, necessary to produce profit. The specific feature of the capital of joint-stock companies or equity capital is not in its material forms of existence, but in the form of ownership of this capital. This capital in kind is the property of the joint-stock company, but in the form of shares, first of all, in the developed countries it belongs to a wide circle of shareholders, which as the rule as employees, while they are in working age or were so in case of pension age. 8. (Coleman James, 1990)

As the result an average employee has as the rule two types of his monetary income: income from hired labor (salary, premiums etc.) and direct and indirect income from equity capital. Direct income from equity capital are dividends from shares or their indirect form – income from resale of shares. Indirect income from equity capital is monetary income from the forms of collective investment or other forms of monetary savings investment. (Vodachek. And Vodachkova, 2009)

As we speak about a mass phenomenon, it is evident, that between these two types of monetary income of a hired employee an objective proportion shall be observed, which essence is in the fact that the income from the labor activity of a person shall prevail over his income from the equity capital or his “non-salary” income to the extent that the share of the latter may not be serious incentive (reason) for refusal of the person from hired labor activity. In other words, in any company the share of “non-salary” income or the income from equity capital shall make a relatively insignificant (small) share in the total monetary income of a hired employee. (Radaev, 2003)

Such small share of monetary income from equity capital makes this income very sensitive to factors, which force a hires employee to use them mainly for the purpose of personal consumption. It is possible to state at least the following large reasons of the mainly consumable implementing of monetary income of a hired employee from the capital:

1) Depreciation of all accumulation of its monetary income for the reason of inflation existing in the economy. If an employee did not have any income from the capital, inflation could really reduce the level of its current consumption (welfare) and therefore such income are as a special protection of a hired employee from the current inflation.

2) Determination of a person towards growth of personal consumption. In the course of his life a hired employee usually passes from one level of payment to another, therefore the level of personal (family) consumption increases from time to time and therefore any additional monetary income for him is, first of all, the income which he subjectively wishes to use for the purpose of growth of its consumption. Fundamentally this determination lies in two aspects:
   a) in the fact that his family, as the rule, increases
   b) firstly the level of monetary income of a young employee is not high and therefore his needs are significantly not satisfied. Therefore each subsequent increase of his monetary income is mainly used for growth of his consumption. In other words, transfer from “poverty” to welfare is always connected with growth of personal (family) consumption. (Glubokiy, 2008)

3) Growth of state taxes and obligatory insurances. Increase of the role of the state in the modern society (at the national and international levels) requires availability of more and more monetary income, therefore tax loading at hired employees with the course of time keeps growing. Therefore the income from equity capital transform into an instrument of compensation for tax and insurance loading in the country. (Hakansson, 1987)

Income of a hired employee from the equity capital – in the average 50% of all net profit of joint-stock companies, paid in the form of dividends. But even the remaining part of net profit in joint-stock companies is used not in full for the purpose of expanding reproduction of the capital for the reason of:
   - Using the remaining part of net profit of a joint-stock company on various bonuses to top-management and corruption payments, which to a large extent are again used for the purposes of consumption;
   - Removal of the national capital to other countries.

The consolidate returns of the society is the initial economic source of expanded reproduction of the capital, therefore the economy on the whole. As there is objective reduction of the share of profit (net income), used for the purposes of economic growth in the developed countries, so there is evident the tendency of essential falling
of economic growth rate in these countries as compared to the situation, which was characteristic in the XIX century and at the beginning of XX century, when the process of formation of joint-stock companies and coverage by them of production of material values on the whole. In the XX century the society was divided into the capitalist class, or owners of production means (capital) and the class of hired employees, who in their mass did not have any ownership for capital. As the result all profit of the society concentrated with a small layer of capitalists, who spent a relatively small part of it for personal consumption, as this layer itself constituted a very small percent of the population of the country (usually not more than 1%) therefore a relatively large part of the consolidated returns of the society was inevitably used for increase of the capital functioning in the country. For this reason the rates of economic growth of the developed countries of that period were in the average essentially higher than their growth rates today. (Bychin and Netchupei, 2011)

As joint-stock companies have finally become the governing producers to the middle of the XX century in the developed countries, the level of concentration of consolidated returns existing in the XIX century has sharply reduced, as a large part of this profit turned out to be «smeared» over a wide circle of hired employees, who less invested it as the capital, and were largely used for the purpose of personal consumption (not so important: for increase of this consumption or for compensation of «falling out» income from labor activity). For example, in the XIX century out of 100 units of profit with 1 capitalist 20 units were spent on his consumption, including luxury goods, and 80 units – on growth of his capital. Now, as these 100 units of the profit are smeared, for example, among 10 employees, who spend 8 units on increase of their personal (family) consumption, save only 2 units. As the result out of these 100 units of the profit, 80 units are spent on consumption, and 20 units – on accumulation. This is a simple illustrative example of the fact why the modern society has lost the essential part of accumulation norm of accumulating capital existing before, therefore the rates of economic growth have significantly reduced and they cannot be increased without changing the modern system of distribution of the consolidated returns of the society.

This system of distribution of profit in developed countries of the world is more fair as compared to the classic capitalist of the XIX century, as it has led to destroy of division of the social structure of the society into antagonistic classes, the consequence of which is significant reduction of economic struggle between the poverty and the wealth, which makes arising of future social revolutions unlikely (through this basis) in all developed countries of the world.

However, the price for such changes in distribution of profit in direction of its more equal, and for this reason more fair distribution between hired employees, has become absence of economic growth, so, as the result, slackness in development of the human society, absence or limitation (lopsidedness) of the public progress.

Simultaneously, liquidation of the class structure of the society due to dying-away of the class of owners of production means created the basis for transition to the consumer society.

2. «Consumable» Nature of Modern Society:

In many economic sand other works the modern society is used to be called «consumer society». This related, on the one hand, to the high average personal level of consumption of material values (as compared to the developing countries of the world), and, on the other hand, the high level of consumption of non-material services, which share in the modern («statistical») GDP reaches 50% and more. 6. (Granovetter, 1973)

A person needs material values for the life, however, there are reasonable limits for material consumption. Excess of this consumption in the developed countries expresses itself in excess nutritional value of meals and growth of the share of people with excess weight, small shelf life of things necessary for people, overestimation or underestimation of qualitative characteristics of goods, production of luxury products etc. The evident excess of material consumption by the population means also excess of the average level of personal income of citizens of the developed countries as compared to reasonable human modern levels of consumption. But as the «norms» for consumption with the people are not educated from the childhood and simultaneously the society «educates» the worship of unlimited consumption, the excess of monetary income of hired employee, mostly, takes the shape of excess consumption, therefore the level of personal accumulation reduces. (Bychin, 2000)

An important form of existence of the «overestimation» of the level of personal consumption in the developed countries of the world (in the modern society) is a high share of unemployed youth, first of all, for the reason of such «objective» basis, as, for example, the need in obtaining due professional education. In the XIX century a person started working, in the average, from the age of 16-17 years, now this threshold has moved by ten and more years. As the result a person in the working age does not make his contribution in creation of GDP of the country, but actively consumes what is produced by the society. 10. (Moller and Wilson,1988)

Another side of modern society of consumption is high level of non-material services sphere development. But such development is absolutely impossible without allocation to it and its employees of the necessary amount and composition of material values, which economically relate to the group of consumption products, irrespective from the fact whether they are consumed by a person himself or they are only a product of collective consumption, as for example, buildings and furniture used in this sphere. This way any expanding of
non-material services sphere is also the use of accumulative surplus product of the society in the direction, opposite to the process of accumulating production means, this way preventing growth from the material sector of the economy.

It should be added that like in case of material values, relative excess of development of personal services sphere, for example, is inherent not just to leisure, but to leisure, differentiated as regards «star-rating», luxury, perfectness etc.

Purely statistically growth of GDP is possible at the cost of the sphere of services in conditions of absence of growth or even reduction of material values sphere. In other words, the statistical growth of GDP mainly due to growth of the sphere of services in reality hides slackens in material production of the country. Such growth means still more distribution of resources of surplus product of the society to the consumption fund and, finally, there arises a situation, when even growth of the sphere of services stops and then the problem of slowdown and even impossibility of subsequent economic growth in the country becomes evident for the society on the whole, as no one measure taken by the state is able to quickly restore the level of production accumulation necessary for the economic growth. 8. (Coleman James, 1990)

In other words, each level of material values production and its growth is correspondent with the certain level of development of the sphere of services and its growth. But in conditions of market economy, which develops spontaneously and may not be sufficiently managed from the side of the state, the required proportion between development of material production and the sphere of non-material services may not be observed. For the reasons of social and political nature there appears a «slope» towards maximization of development rates namely of the sphere of non-material services. The matter is that development of the sphere of services shall be deemed the key factor for support of the level of employment of the population, as technical progress in material production leads to reduction of employment in it, and growth of production volumes of material values itself bumps into significant level of buying capacity of the population already of not a single country, but the modern world on the whole.

In the consumable society a large part of surplus product of the society shall by all means serve mainly the purposes of (non-production) consumption, without any division of it into material consumption and consumption of non-material services, without division of consumption into the necessary and the surplus. Consumption in general – this is the aim of the consumable society. But this shall objectively mean that for the expanded production, i.e. for GDP growth, there are less material resources allocated than it is necessary, or less that it is necessary in order the economy of the developed countries could develop by higher rates.

3. «Military» Nature of the Economy of the Developed Countries of the World on the Whole:

Maintenance of the high level of economic welfare of the developed countries of the world without any doubts relies also on their accumulative military force as related to the rest of the world. The basis of this military power are large amounts of military costs, which have a tendency towards growth for the reason of complication of the nature of military equipment and everything that is connected with it, and what is the most important – for the reason of military conflicts of various kinds which constantly arise in the world. As these military costs are absolutely not equal among the developed countries of the world, we shall speak about them on the whole, i.e. as applied to the whole circle of developed countries.

Military costs shall be paid at the cost of surplus products of the society and in its larger part (except for expenses, connected with consumption by personnel assets) do not increase either the level of consumption of the population of developed countries, or the amounts of production means in the economy. Military costs are the strongest factor for reduction of the annual accumulation fund of the country for the reason of their large amounts, the necessity in which in modern conditions is absolute and may disappear only with change of the modern political and economic relations between the countries of the world in favor of relations, based on justice, neighborliness or on the whole – on exclusively «positive» relations, which are impossible in conditions of controversies between the wealth and the poverty, between the poor and the wealthy countries of the world.

Modern capitalism in the developed countries is the society without any perspectives of due development, of which it is potentially capable, but which may not be realized through fundamental economic reasons. The «unsoundness» of the controversy having arisen between providing of the level of welfare of general public of the population in the developed countries and suspending for this reason of subsequent public progress in these countries is evident, the basis for which is objectively only the subsequent economic growth. The essence of this controversy is in the fact that on the one hand, modern economic growth may be based only on the relative worsening of material welfare of the population of the country, but, on the other hand, one may not «suspend» the subsequent economic growth and public progress based on it on the whole, for the sake of increase of material welfare of the population of the country.

This controversy in its «reverse» type is characteristic of also the developing countries of the world. Development of the modern stage of «consumable society» is connected with the fact that its formation takes place extremely irregularly – consumption of wealthy countries is based on material consumption deficiency of the population of many other countries of the world. For example, the USA materially consumes several times
more material products than they produce themselves. Indirectly all this expresses itself in a gap of GDP per capita across the world countries.

But the antinomy is in the fact that this at the same time is the reason for the fact why the rates of economic growth in the developing countries may be significantly higher than in the developed countries! The developing countries are not yet «consumable societies». Their capitalistic elite concentrates all surplus products in its ownership and upon satisfaction of its personal needs they have a large part of profit (income) left, which are not in the personal need already and may be objectively used for the purposes of the economic growth in their country. Therefore in the event when the surplus of private returns is not removed from the country, it makes relative growth of production accumulation possible in these countries as compared to the developed countries of the world, which stipulates relatively higher rates of economic development in these countries. (here should be also added removal of capital from the developed countries to the developing countries).

*Constructive type.* If large parts of consolidated returns of the society in the developing country are used not only for the purposes of personal consumption of the elite and removal of its capitals, but also on other nonproduction purposes, like: military costs, non-production investments (Olympics, long-recoupable and non-recoupable infrastructure), on corruption payments etc., this leads to the fact that economic growth in such developing countries shall be minimized or absent at all. But this is a still worse variant as compared to the developed countries, where minimization of the economic growth is linked with the relatively higher level of welfare of the population, but not with its poverty, as it is in the whole number of the developing countries of the world. There are also other factors, which may stimulate the effect of slackening the economic growth, for example, removal of capital, which was already mentioned, from the developed countries to the developing countries is the factor for slackening the economic growth of the first and the factor for economic growth of the latter etc. However, the cycle of such factors effect testifies to their environmental influence, which means incorrectness of their allocation to the group of fundamental economic factors, i.e. such that are impossible to be changed without changing the modern economic relations themselves.

**Conclusions:**

Thus way, slackening the rates of economic growth in the developed counties of the world has its fundamental reasons, which are connected with completion of processes of funding the economy, formation of «consumable society» in the developed countries, maintenance of the high level of military costs. All this combined has led to reduction of the share of accumulation fund in the structure of end purposes for the use of consolidate returns of the society, which, in its turn, leads to slackening of growth rates of GDP in the developed countries. Here we have the «insoluble» controversy between, on the one hand, the necessity to maintain the high level of consumption in the developed countries and, on the other hand, the necessity to increase the rates of their economic growth.

**REFERENCES**


