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Inequality of World Development as a Global Challenge: “Response” Models

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ABSTRACT

The inequality of world development as a global “challenge” creates instability of the world economy, leads to an increase in social tension, and along with the threat of climate change, is a priority problem for humankind. The study aims to reveal the parameters and dynamics of global inequality, show its direction, tendencies, and assess the Western and Chinese models (“responses”) to this challenge, which is a highly urgent scientific and practical task. The research methods are based on developing the concept of inequality in world development using quantitative and qualitative analysis following the “challenge-response” law. For quantitative analysis, we used modern methods of statistical analysis, in particular, quantile regressions. Based on the received results, we concluded and substantiated that the main challenge of our time is the inequality of world development, which has increased under the influence of the pandemic. We have shown that despite the decrease in the share of high-income countries (notably the G7 countries) in world GDP, the trend towards an increase in the gap in per capita income between high and middle-income countries has continued. We also revealed the indicator of labour share in GDP for high and middle-income countries, confirms the hypothesis of increasing inequality between capital owners and workers in several countries over the past 20 years, particularly the United States. We have shown that the Western model of the world order is not focused on solving inequality. The results obtained can be used to develop concepts and models for reducing global inequality.

Keywords: inequality of world development; uneven growth rates; the share of labour in GDP; inclusive development; the “great reset” model; homeostasis in the economy; “communities of the common destiny of mankind”

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INTRODUCTION

Inequality in world development as a global challenge to humanity has long been rejected by Western theorists. Moreover, it was considered normal for an economy based on a system of universal competition. For the first time, Thomas Malthus raised the question of the derivative nature of inequality from the scarcity of resources in the world. As a result, individuals are constantly competing with individuals within societies and, and globally, nations are competing with nations [1]. Starting from the sociological doctrine of T. Malthus, Ch. Darwin came to understand biological evolution, which was the natural scientific basis for the idea of universal competition and inequality between individuals and peoples.

Develop on these ideas, I. Wallerstein elaborated a model of a single world system that consists of a center — located on the top floor of the world order, semiperipheries — on the middle floor and periphery occupying the lower floor. The West, with its material and political preferences, was positioned as the center. According to I. Wallerstein, it is almost impossible to change a country's position in the system, i.e. inequality between countries is constant. [2]

In a report to the Rome Club in 1972 year “The Limits to growth” (Dennis Meadows et al.) in all 12 scenarios of human development, it was in fact argued that the principle of equality on a global scale is unrealistic, as the Earth's resources are not sufficient for this purpose. On this basis, the Western elite proclaimed the scenario of “limited growth” and strict birth control, and inequality between countries was entrenched as a status-quo. “Excess consumption — for some, limited — for others, minimal — for third”. [3] Thus, despite the new economic order proclaimed by the United Nations in 1974, the model of unequal access to resources for different countries has been legitimized.

By the beginning of the third decade of the 21st century, the world had established a

solid list of global challenges and threats [4], which have become mega-trends and require adequate responses.¹ These include not only inequality in world development, but also socio-demographic challenges; scarcity of food, clean water, energy; instability of the global financial system; challenges and threats related to the growth of cyberattacks, the irresponsible use of artificial intelligence and biotechnology; militarization of space, climate change due to global warming, degradation and destruction of natural ecosystems, loss of biodiversity, etc. However, without minimizing the importance of each of these challenges, most researchers have come to agree that the main one is *economic inequality*.

Long before the pandemic, IMF experts had come to this conclusion, stating that rising income inequality was rampant and a major contemporary challenge.[4] According to Nobel Prize winner J. Stiglitz, “all social, political, economic problems and their tragic consequences are rooted in inequality”. [5]

The importance and seriousness of the problem of economic inequality is also pointed out by Russian scientists, who have identified “the trends of increasing inequality in the distribution of income and wealth in the largest national economies and in the world economy as a whole over the last 40 years”. [6] The danger of geopolitical inequality and inequality within the country is discussed in the work of S.V. Kazantsev. [7]

Staff of the Laboratory of Global Inequality established with the Paris School of Economics, in its Report on World Inequality — 2018, based on data collected and processed by more than 100 researchers from five continents, agreeing that “economic inequality is widespread, multifaceted and, to some extent, unavoidable”, concluded

¹ The prominent English scientist Arnold Toynbee (1889–1975) defined the “challenge” as the build-up of contradictions between the existing state of society and the need for real change requiring society to respond adequately due to growing uncertainty, anxiety and volatility. The law of “challenge-and-answer”, in his opinion, has a decisive influence on the fate of world civilizations.

that since the 1980s 20th century, the gap in income of the population, and therefore in the capacity to meet needs, has widened in all regions of the world. “If inequality is not properly monitored and shall not be dealt with accordingly, it can lead to a wide range of political, economic and social catastrophes”. [8]

According to the UN, 7 out of every 10 people in the world live in countries where income inequality is only increasing. Many of them have no education, no access to health care, no way out of poverty, which affects the quality of human capital and is one of the reasons for the economic slowdown.²

The pandemic has exacerbated all the challenges of the world economy, but has been particularly reflected in the inequality of world development and economic growth. The fall in world GDP in 2020, according to the UN report, was 4.3%.³ This has never happened since the Great Depression. During the financial crisis of 2009, the decline in global GDP was 2.5 times smaller, at only 1.7%. According to the IMF, the fall in GDP in PPPs in 2020 was 8.8% in the UK, in France — 7.1%, in Mexico — 7.1%, in India — 6.9%, in South Africa — 5.8%, in Germany — 3.8%, in Japan — 3.7%, in Brazil — 2.9%, in the USA — 2.3%, in Russia — 1.9%. Of the top-20 economies (G20 group), only China's GDP growth was positive, at +3.5%.⁴ Developing countries and the poorest segments of the population were hit hardest by the pandemic. Thus, while unemployment in OECD countries increased to 9%, in developing countries it ranged from 13 to 27%. Quarantine measures affected 80% of the world's economically active population, and the global number of people living in

poverty, which had been declining for almost 10 years, had risen dramatically by 131 million people. According to the Credit Suisse Bank Research Institute, the worldwide impact of the COVID-19 pandemic has resulted in widespread inequality of well-being. As a result, 1.1% of the world's adult population owns 191.6 trillion dollars or 45.8% of global wealth. Together with 11.1% of adults in the upper middle class, they own 84.9% of the world's wealth, while 55% of adults — own only 1.3%.⁵

Increasing economic inequality and other global challenges have led to increased social tensions and volatility in the world economy, and have led a number of experts to argue that the world has entered a *bifurcation point*. It is clear that a long period of *chaos* ahead, or the system will go to a new state of *orderliness*. In these conditions, request for the development of adequate models (“responses”) of society on the inequality of world development and other global challenges becomes more relevant than ever.

INEQUALITIES IN WORLD DEVELOPMENT: CHARACTERISTICS, DIRECTION AND TRENDS

By inequality of world development, we will mean differences in the world's GDP growth rates and in their share of world GDP; differences in per capita GDP as well as — in levels of well-being between different population groups.

Uneven growth rates and displacement of the center of business activity

Analysis of economic growth over the last two decades (before the pandemic), for countries with high, middle and low per capita incomes,⁶ shows that in high-income countries, the average growth rate for the

² The challenge of inequality in a rapidly changing world [Internet]. URL: <https://www.un.org/development/desa/dspd/world-social-report/2020-2.html>

³ UN Report “World Economic Situation and Prospects, 2021”. URL: <https://finance.rambler.ru/markets/45755221-v-oon-podveli-ekonomicheskije-itogi-2020-goda/>

⁴ Calculated from: <https://www.imf.org/en/Publications/SPROLLS/world-economic-outlook-databases#sort=%40imfdate%20descending>.

⁵ URL: <https://www.wsws.org/ru/articles/2021/06/24/ineq-j24.html>.

⁶ More on the income classification of the World Bank of Countries: <https://blogs.worldbank.org/opendata/new-world-bank-country-classifications-income-level-2020-2021>

Table 1

Growth rates of GDP and GDP per capita for groups of countries with different income levels

Countries/Indicator	Average GDP growth rate, %			PPP per capita GDP (thous. inter. dollars 2017)			Average growth rate of per capita GDP, %		
	1991–2000	2001–2010	2011–2020	2000	2010	2020	1991–2000	2001–2010	2011–2020
High-income countries,	2.72	1.74	1.13	39.5	44.30	47.80	2.26	1.16	0.68
of which USA	3.75	1.82	1.69	50.10	54.30	60.20	2.60	0.90	1.10
Middle income countries,	3.50	6.20	3.80	5.30	8.50	11.40	1.70	5.00	2.80
of which China	10.53	10.80	6.53	3.50	8.90	16.40	9.40	10.20	6.00
Low-income countries	0.46	6.18	3.80	н\д	н\д	н\д			
World	2.94	2.94	2.05	11.10	13.90	16.20	1.60	2.40	1.40

Source: compiled by the authors based on the World Bank. URL: <https://databank.worldbank.org/source/world-development-indicators>.

period 2011–2020 fell of 2.4 times, including in the USA — of 2.2 times compared to the last decade of the 20th century. At the same time, middle-income countries have not only maintained their growth rate but have even increased slightly (*table 1*).

This led to a shift in the center of business from the West to China, India, Indonesia, Turkey, etc. — the so-called periphery. For example, the share of EU countries (including The UK) in world GDP fluctuated between 37% and 33% in the period 1960–1980, of the USA — from 28 to 24%, and the rest of the world, including China, India, and other economies, accounted for 35 to 43% of world GDP (*fig. 1*). From the late 1980s China began to play more and more important role in the world economy, displacing the USA and European countries. The share of high-income countries in world GDP declined from 80% in the second half of the 20th century to 63% in 2019–2020. At the same time, low-income countries account for less than 1% of world GDP. Note that the vast majority of countries in the world (*The rest of the world* in *fig. 1*), excluding the US, China, and the EU, since the 1980s 20th century has

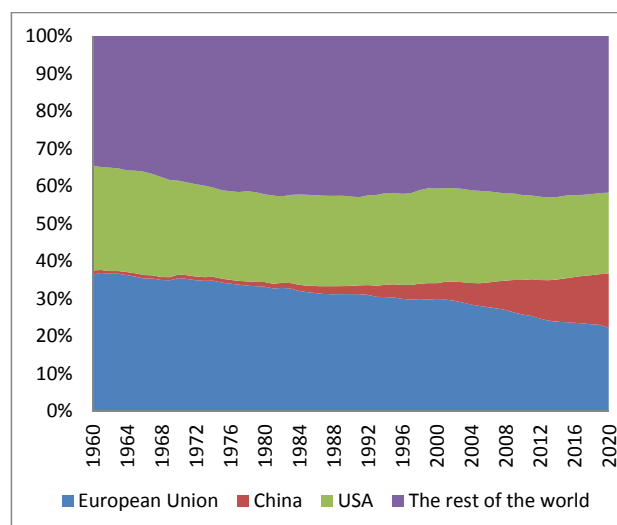


Fig. 1. Share in world GDP of the USA, China and the EU countries (including the UK)

Source: compiled by the authors based on the World Bank. URL: <https://databank.worldbank.org/source/world-development-indicators>.

accounted for 42–43% of world GDP, and this share remains the same in the 21st century.

The evolution of the share of countries in world GDP can be seen in more detail in a sample of G20 and G7 countries (*table 2*). The share of G7 countries in world GDP declined

Table 2

Change in the share of the G20 and G7 countries in world GDP (PPP), %

Country/Year	1990	2000	2020
Australia	1.176	1.103	1.010
Australia	0.839	0.852	0.715
Brazil	3.641	3.148	2.395
UK	3.610	3.134	2.248
Germany	5.876	4.773	3.416
India	3.495	4.029	6.765
Indonesia	1.933	1.964	2.508
Italy	4.190	3.309	1.870
Canada	2.050	1.825	1.405
China	4.032	7.277	18.338
South Korea	1.175	1.570	1.755
Mexico	2.664	2.528	1.857
Russia	4.844	3.061	3.112
USA	21.644	20.380	15.900
Saudi Arabia	1.891	1.638	1.236
Turkey	1.444	1.394	1.934
France	4.041	3.344	2.278
South Africa	0.857	0.690	0.545
Japan	9.106	6.918	4.036
Including G7 countries	50.517	43.683	31.153

Source: compiled by the authors based on the International Monetary Fund (IMF). URL: <https://www.imf.org/en/Publications/WEO/weo-database/2021/April>

1.6 times over 30 years, to less than a third. The shares of Italy and Japan fell more than 2 times, France and Germany – more than 1.7 times, the UK – 1.6 times, and the USA – almost 1.4 times. At the same time, China's share increased more than 4.5 times, India – almost 2 times, South Korea – 1.5 times, Indonesia – 1.3 times.

However, the relatively slow growth of per capita GDP on average worldwide does not allow for rapid change in inequality in average per capita incomes. As of 2000, PPP

per capita GDP in developed countries⁷ was 3.6 times higher than the global average, in 2010–3.2 times, in 2020 – almost 3 times. When comparing high-income countries with middle-income countries, while there is a downward trend in inequality, the gap is wide. In 2000 it was almost 7.5 times, in 2010–5.2

⁷ In 2016, the World Bank removed from its terminology the concepts of “developed” and “developing” countries. We will, however, follow, where appropriate, the terms “developed countries” and “emerging and developing economies” based on the IMF classification.

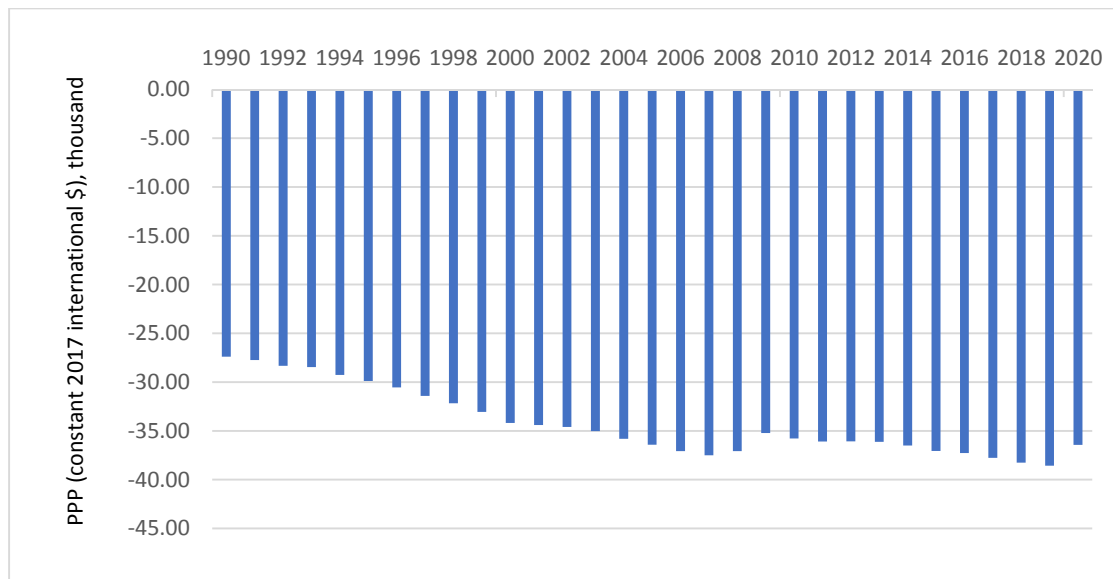


Fig. 2. The gap between GDP per capita in high- and middle-income countries

Source: compiled by the authors based on the World Bank. URL: <https://databank.worldbank.org/source/world-development-indicators>

times, in 2020—4.2 times. In absolute figures, the gap has not only not narrowed over the past 30 years but has tended to increase (*fig. 2*).

China plays major role in the relative decline in GDP per capita inequality. Before 1978, i.e. before the reforms and the policy of openness, 95% of the population was in absolute poverty. Thanks to a well-thought-out long-term strategy developed by the PRC leadership, 800 million Chinese have been lifted out of poverty in 40 years. In the last 20 years alone, China has been able to quadruple real GDP per capita in PPPs.

Closing the gap between high- and middle-income countries in 2020 (*fig. 2*) China also has a major role. As noted, it maintained positive growth rates of GDP and GDP per capita in 2020.

While maintaining average per capita GDP and GDP growth at the level of the last decade for major groups of countries by 2050, China will produce nearly half of world GDP, and China's per capita GDP will be higher than that of the USA. However, low-income countries, despite relatively high growth in aggregate GDP, will not be able to occupy a more prominent place in the world economy and will continue to produce about 1% of

world GDP. This crude calculation does not take into account many factors, but provides guidance on the established development direction, which increases inter-country differentiation and leads to increased global social tensions and world conflicts, but, on the other hand, highlights the threat of losing global economic leadership to the USA and other Western countries. In these conditions, the USA is declaring Russia and China, not the real challenges, as the main threats. Competition for markets and factors of production, information and even effective vaccines is becoming an economic and information confrontation.

Inequality between capital income and labor income

One important indicator of the trend towards greater inequality is the share of wages in GDP. This is the inequality in the distribution of income between labor and capital. Capital plays a crucial role in intensifying economic development. Capital income dominates GDP in developing countries [9], which makes it possible to raise the savings rate and finance further capital investment. In developed countries, the share of labour income in GDP

Table 3

Descriptive statistics for Labour share in GDP

Group of countries/ indicator	Average rate of group and period research/ Median	Standard deviation	Coefficient of variation, %	Number of observations
High-income countries	51.0 / 54.0	11.4	22	867
Middle income countries	46.6 / 78.2	11.1	24	1154
All	48.5 / 50.9	11.4	23.5	2021

Source: compiled by the authors based on The Total Economy Database. URL: <https://conference-board.org/data/economydatabase>.

has increased in the last decades of the last century, contributing to the growth in the size and well-being of the middle class.

However, in the 21st century, there has been a downward trend in the share of wages in gross income in developed countries, seen as a threat of increasing inequality between workers and owners of capital.⁸ Capital tends to be more concentrated, reducing the share of labor compensation in output reduces household consumption, and also affects macroeconomic indicators such as private sector investment, public expenditure and others. [10]

Objective of further analysis — to identify a trend in Labour share in GDP for high- and middle-income countries in the past 20 years. The source data for our research is the TED database (The Total Economy Database⁹). Statistics provided by TED are based on the proportion of compensation of workers (including the self-employed) to nominal GDP at market prices. Since for most low-income countries the measurement of labor compensation is based on indirect methods, these countries are not included in further analysis. A number of middle-income countries for which data are not available are also excluded. Thus, the (unbalanced) panel contains 2021 observations for the period from 1990 to 2019 for 99 countries worldwide.

Descriptive statistics of indicator *Share of labor share in GDP* are shown in table 3. In

high-income countries, the average value of this indicator is 51% and varies considerably between countries and over time. Average for middle-income group slightly lower, statistically and economically different from value in high-income group. The statistical significance of the differences is confirmed by the Student's Test (t-test) and Welch (Welch t-test) (the corresponding test statistics are 9.03 and 9.13 respectively).

Standard linear regression was evaluated in the first step to identify the dynamics for variable *Share of labor in GDP* (marked on fig. 3 as *L_SHARE*). The regression equation contains a trend component (*@Trend*), a dummy variable to account for the impact of the global financial and economic crisis (*D 2009*). The specification also includes the dependence on previous values *L_SHARE(-1)* to account for the stability of this variable over time (previously it was considered that the labor share in income is constant). This regression serves as a starting point for further analysis, and the estimated parameters of quantile regression will be compared with its coefficients. The coefficient of the dummy variable shows a shift in the level of labor compensation since the global crisis 2008–2009. The values of these coefficients are given in fig. 3 (a horizontal line on each graph shows the value of the corresponding OLS-coefficient).

OLS-regression shows that with a fairly stable relation of current values *L_SHARE* with its previous values, there is no general trend in the compensation of labor input in GDP (the corresponding coefficients of OLS-estimation are statistically insignificant at 5%).

⁸ OECD. The Labour Share in G20 Economies. 2015.

⁹ The Conference Board Total Economy Database™. URL: <https://conference-board.org/data/economydatabase>

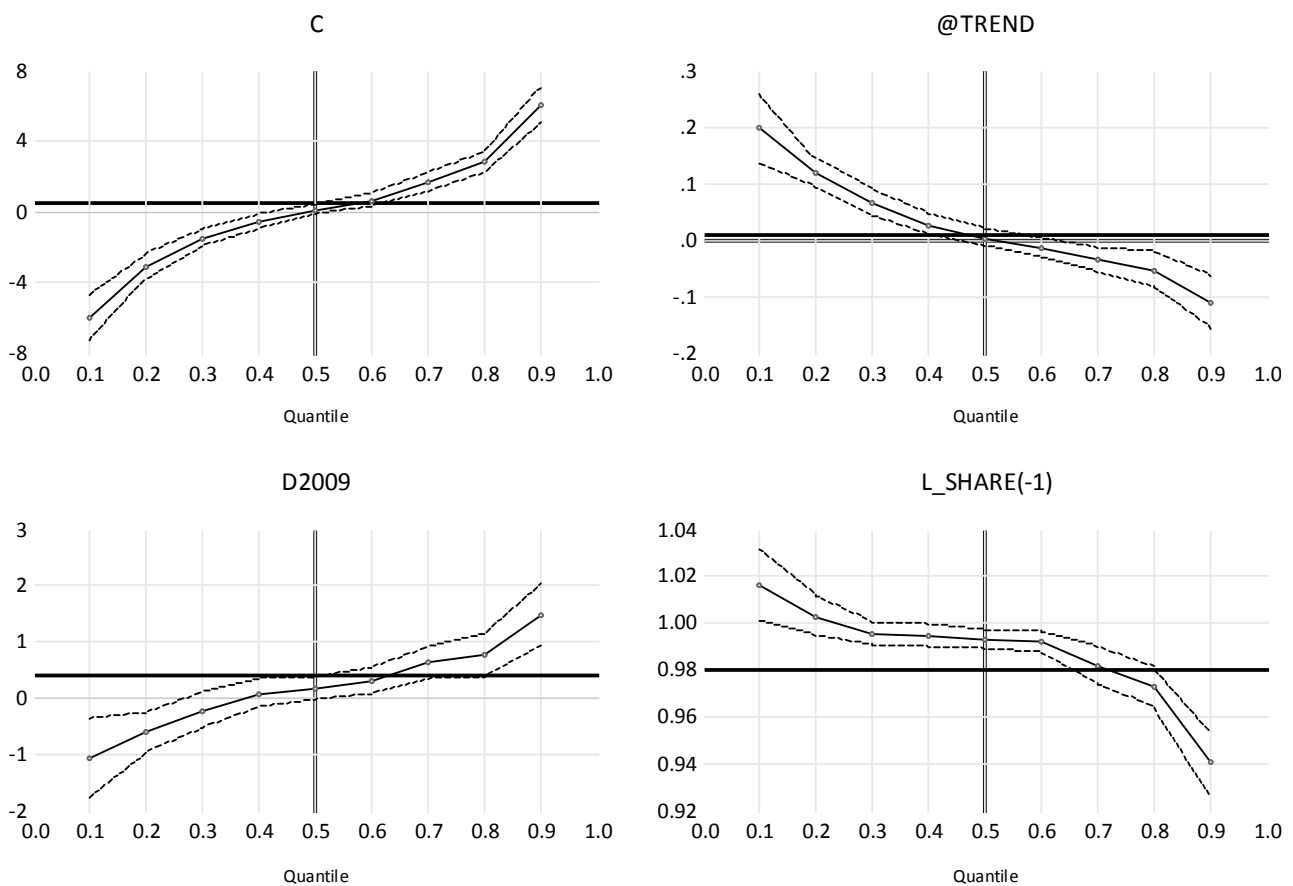


Fig. 3. Quantile progress estimates

Source: compiled by the authors.

Note: Bold line – OLS estimate, dotted line – 95% confidence interval quantile estimates.

Quantile regressions were evaluated in the next step.[11] In quantile regressions, the central issue is the heterogeneity of the effect (in this case a trend in change of L_SHARE) for different range of probability distribution. The purpose of using quantile regressions was to identify for which level of L_SHARE there were trends towards increasing/decreasing share of labour in output and for which there were no trends.

In order to interpret the results presented in fig. 3, the following should be taken into account. For 70% of observations the coefficient at $L_SHARE(-1)$ is slightly different from 1. This allows to rewrite the autoregression model in the form determining the deviation of L_SHARE . Then the coefficient C is an estimate of the permanent deviation, but the coefficient at $@TREND$ estimates the time-varying part of the

deviation. The results show that for countries with L_SHARE values below the median, there is a negative deviation that is gradually decreasing in absolute value (positive trend weakening with the increase of L_SHARE). At the same time, there was a general downward shift for these same countries following the global financial and economic crisis. And for countries with high value of L_SHARE (such as the USA, Canada, Australia) a statistically significant negative trend is detected, i.e. a decrease in L_SHARE growth over the last 20 years.

Note that the low value of labour compensation as a share of GDP does not in itself indicate a high degree of inequality in income distribution. Norway, for example, which adheres to the principles of building a social State [12], has L_SHARE value below median for the analyzed data pool. However, the

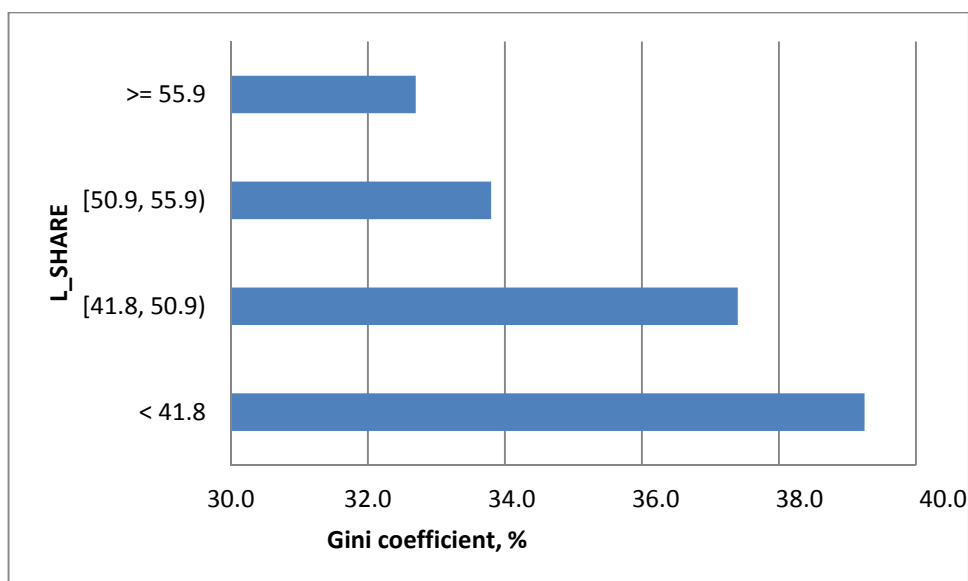


Fig. 4. Median Gini coefficient versus *L_SHARE* values

Source: compiled by the authors based on The World Bank Database and The Total Economy Database. URL: <https://conference-board.org/data/economydatabase>.

Gini-coefficient is one of the lowest (according to the World Bank). But on average the following correlation is observed: the smaller the *L_SHARE*, then the larger the median of the Gini-coefficient (fig. 4), and that means more inequality in income distribution.

Redistribution of income in favour of capital and “compression” of the middle class in the USA and some other countries provokes an increase in social tensions in modern society. The pandemic crisis only exacerbates the contradictions between labour and capital and, without a change in the development model, will lead to a global structural crisis.

“THE GREAT RESET” – INCLUSIVE DEVELOPMENT OR INCREASING GLOBAL INEQUALITY?

Growing global inequality and the threat of climate change are global and priority challenges to humanity and are of concern to the global elite. Reflecting on the causes of inequality, the North American economist D. Acemoglu, together with the British political scientist J.A. Robinson, formulated a thesis “the preference for centralization (State)... and

institutional pluralism in the form of inclusive development”. [13]

At the center of the concept of inclusive development is the human being, with the need to improve his or her quality of life and personal development. Economic growth is driven mainly by scientific and technological progress. In 2017, a new indicator was presented in the framework of the WEF in Davos to assess countries’ levels of development – Inclusive Development Index (IDI), as “GDP per capita” does not adequately reflect the level of development of different countries, especially as growth and development are not the same.¹⁰ While experts differ on IDI, the concept of inclusive development is generally considered to be “a very successful attempt to conceptualize a global priority as the basis for productive and equitable development of States”. [14]

¹⁰ The inclusive development index consists of three groups of indicators: growth and development – GDP per capita, GDP per worker, life expectancy, employment; intergenerational continuity and sustainable development – adjusted net saving, Greenhouse intensity of GDP, public debt, demographic burden coefficient; inclusiveness – poverty level, median income, income-stratification coefficient of the society by wealth distribution..



In response to these challenges and the priority needs of intellectuals, the Western elite, represented by the founder and permanent leader of the WEF in Davos Klaus Schwab, put forward the idea “The Great Reset” (then — GR) in the summer of 2020, which became the main theme of the WEF, held in January 2021 in online format. GR is a model for the global restructuring of the world economy based on digitalisation and clean energy. In fact, it is a development of the model of limited growth, as it proclaims in the long run the abandonment of the pursuit of profit. The goal of GR is to save capitalism by making it “inclusive”. But capitalism and inclusive development are incompatible concepts. According to the World Bank analysts, “inclusive growth (IG) implies employment growth, not income redistribution ... But IG does not aim at job creation or income distribution — these are only possible outcomes”.¹¹

GR ideas overlap with economic policies and business practices of international organizations, governments, companies. Thus, in 2015, the UN adopted a set of 17 global goals and 169 related sustainable development goals for the period up to 2030.

In December 2019, the European Commission adopted the *European Green Deal* to achieve EU-member States zero greenhouse gas emissions by 2050. To implement this course, legislative measures, subsidies, targeted investments are envisaged. Economic measures have been developed for the transition of EU industry to environmental standards, including protection from cheap imports with additional customs duties, and the use of greenhouse gas emission quotas. “The Green Deal” calls for a fundamental reform of the European energy system. [15, 16]

At the end of March 2021, the new USA administration announced a nearly 2 trillion dollars strategic plan to shift national infrastructure and power engineering to clean energy. Fossil fuel licenses will be discontinued

and decarbonization projects will be launched, away from fossil energy sources, which now provide nearly two-thirds of the USA electricity [17], in favor of renewable. Active development of marine wind, solar and other renewable generation is planned for the next 15 years, developing appropriate national standards for its use, moving towards widespread use of electric vehicles, setting up of about 500 thous. electricity stations at the expense of federal budget. The plan envisages the creation of 19 million high-tech jobs in the new “green” economy.

The ideas of “The Great Reset” are supported by IMF, the heads of the world’s largest companies. For example, Toyota announced that it would cease production of cars with an internal combustion engine from 2025, Volvo — from 2030, General Motors — from 2035.

In May 2021, the International Energy Agency presented a detailed plan for the transition to “green” energy and climate neutrality by the middle of this century called “Net Zero by 2050”.¹² By 2050, two thirds of the world’s energy must come from RES and part from nuclear power. Inefficient coal stations should be closed by 2030 and all remaining coal stations by 2040. Incidentally, Germany has already declared all coal-fired power plants to be closed by 2038. It is proposed to increase the share of electric vehicles in sales from 5% to 60%, the number of charging stations for electric vehicles from 1 million to 40 million. Since 2035 Germany plans to stop selling new cars with internal combustion engines. Energy efficiency is expected to grow by 4% annually in this decade alone, almost three times faster than previously planned. Of course, this will require a major investment. For hydrocarbon-exporting developing countries this is a formidable challenge, as by the middle of the 21st century, revenues from oil and natural gas exports will fall as prices and demand fall by almost 2 times. This plan has been prepared for the 26th UN Climate Change Conference to be

¹¹ URL: <https://zen.yandex.ru/media/freeconomy/inkliuzivnyi-rost-triuk-neokolonializma-5cab71e3643d2800af133042>.

¹² A Roadmap for the Global Energy Sector. URL: <https://www.iea.org/reports/net-zero-by-2050>.

held in Glasgow from 1 to 12 November 2021. The decisions of the conference will be binding on all participants in the Paris Agreement, including Russia and China.

In his new book “Stakeholder Capitalism” Klaus Schwab proposes a model of capitalism in which it is necessary to abandon the current economic system, driven by “selfish values, such as maximizing short-term profits, evading taxes and regulations, or externalizing environmental damage. *Instead, we need a society, an economy and an international community that cares for all individuals and the planet*”. [18]

It should be noted that behind these seemingly attractive ideas of “reboot” and concern about climate change hide the interests of capital and the world elite, that will be equipped with climate weapons and total digital control technologies. There will be a redistribution of world wealth through fines and carbon taxes and lower revenues from traditional energy exports, increased costs of digital and green technologies, cleaner vehicles.

Behind the idea of “sustainability” lies the true meaning of the “reset”, which consists of a coordinated change in the rules of the game in global markets, in the redistribution of national investment according to plans prescribed by the WEF and developed countries to build the “green economy”. In his earlier work, Klaus Schwab spoke of freeing capital from the costs of social transfers due to the development of online platforms, the spread of robotics, and algorithms that drive people out of production. He is a proponent of the convergence of “technologies in physical, digital and biological worlds”.

By becoming involved in “the Great Reset” projects, national economies will become more dependent on global institutions and global TNCs, who will have more power and more money and citizens — less freedom and more control. It is obvious that such a model, working for a million people or even for the “golden billion”, is by definition unsustainable.¹⁵

¹⁵ Transcript of V.V. Putin’s speech in EEF in Davos, January 2021 r. URL: <http://prezident.org/tekst/stenogramma-vystuplenija-putina-na-onlain-forume-davosskaja-povestka-dnja-2021-27-01-2021.html>.

While the Biarritz Summit in 2019 stressed the importance of combating inequality and the need to reconsider (with this in mind) the goal of international cooperation [19], at the summit in June 2021 in the United Kingdom, it was announced that G7 countries would achieve carbon neutrality no later than 2050 and move to largely decarbonized energy and zero CO₂ emissions transport.

Thus, the model GR is not a spontaneous initiative by the WEF leaders. The Western elite, in the midst of concern for the environment and climate change, is seeking to reshape the world economy, with global geopolitical implications and increasing global inequality.

IN SEARCH OF AN ALTERNATIVE MODEL OF “ANSWER” TO GROWING WORLD INEQUALITY

It is clear that the world needs developing models and strategies that channel efforts and resources, new technologies and concern for the environment and climate change to overcome global inequalities and improve the standard of living and quality of life of people not only in developed but also in developing countries. The basis for developing such models and strategies can be the idea of the “common destiny” of mankind in the works of Russian scientists and politicians; the experience of the Soviet project with its declaration “on the need to unite mankind to make the transition to new resource paradigms” [3]; a new theory of economic systems, based on the “system paradigm” is being actively developed in Russia and the world in recent decades; concept of inclusive development and ideas of Chinese school scientists and Chinese leader Xi Jinping on “community of the common destiny of mankind”. [20]

Reflections on the “common destiny” of mankind are found in the works of V.O. Klychevsky, N.Y. Danilevsky, V.I. Vernadsky, D.I. Mendeleev, L.I. Abalkin, A.K. Adamov and etc., in the book of Marxism-Leninism classics and the Chinese school.[21] Thus, according to the opinion of V.I. Vernadsky, the idea of the



common house of mankind “went beyond the limits of individuals ... and became the engine of life and everyday life of the masses or state entities”.[3]

Technology transfer plays an important role in bridging global inequalities. One of the main conclusions of the new economic theory is: “Gemeostasis in the economy will occur if every economic system, with a particular resource in surplus, was facilitate the transfer of the resource to one or more systems for which it is scarce”.[22] But in the world, technology transfer is used by developed countries to maximize their profits and is not in the national interest of developing countries. That is why, as early as 2007, China had set itself the goal of transforming the country into an endogenous, innovative development with a high-quality workforce of up to 180 million people, which is seen in the USA as a threat to their technological dominance.[14]

The essence of the concept of the “community of the common destiny of mankind” is the realization of the principle of mutual benefit for all nations and cultures. China has consistently pursued this concept, developing both its own economy and international economic cooperation.

Thus, as a result of the 13th Five-Year Plan, a “moderately prosperous society” was built in China. China reached middle-income country level. Extreme poverty practically eradicated.¹⁴ However, income inequality in China is a pressing issue, as it remains one of the highest in the world.

China’s new 14th five-year plan 2021–2025 provides for the continuation of two strategic objectives: become the *world’s largest economy* in the current decade and *high-income* society. To protect themselves from external challenges related to falling demand for Chinese exports, the USA sanctions, financial risks, etc., China has developed a “double circulation strategy”

that relies on domestic production and demand while maintaining and further developing foreign trade and external economic relations. These two contours, external and internal, must support each other and ensure the sustainability of economic development.

The enormous potential of the domestic market will enable China, even as the world economy slows down, to ensure the sustainable development of its own economy and protect it from external risks.

The Chinese model places special emphasis on the *quality* of development that can be achieved through unique own technologies and innovations while increasing the share of high-tech and knowledge-intensive industries in the economy [23], and by orienting the economy towards more environmentally friendly “green” technologies. Successively implementing the import substitution program “Made in China — 2025” adopted in 2015, China’s new five-year plan provides for an annual growth rate of 7% in research and development spending, with the expectation that it will spend the most on research and development in the world in 2025–580 billion dollars.

Without the orientation of the economy to more environmentally friendly “green” technologies it is impossible to improve the quality of life of the population, as the country is the first in the world in terms of carbon dioxide emissions and its volume is twice that of the USA. Over the five-year period, it is planned to reduce the energy intensity of GDP by 13.5%, actively develop renewable and nuclear energy, increase the area of forests and, by 2060, switch completely to carbon-free energy.

Despite the shift in emphasis to the domestic market, China has not abandoned the expansion of foreign economic relations. China announced and implemented project “One Belt — One Road” (now “Road and Belt”) is a gigantic set of projects aimed at integrating regions, countries and people with steel and concrete infrastructure, digital networks [24] and, more generally, the instruments that generate flows within and outside the country. By focusing on

¹⁴ The poverty line of the People’s Republic of China is \$ 1 per person per day (approx. 6.9–7.2 yuan) or 214–223 yuan per month. Over the years of reform in China, more than 800 million people have been lifted out of poverty.

the “left-out” globalization of China’s western and central provinces, and then beyond in Central Asia and Africa, China’s policies echo global concerns about growing inequality.

China’s high growth rate and high-tech production share will provide huge opportunities for China’s trading partners, including Russia, and help reduce global inequality.

CONCLUSION

The analysis shows that thanks to the efforts of the international community and national Governments (primarily China), relative inequality between high- and middle-income countries has declined in recent decades, but in absolute terms it has increased. Along with

climate-related threats, this is a major human challenge.

The model of the “great reset of capitalism” proposed by Western elites against the backdrop of concern for the environment and climate change aims at reformatting the world economy. Its implementation will have global geopolitical implications and will increase global inequality.

The world is searching for alternative models of development. China’s economic model supports two strategic objectives: become the world’s largest economy and high-income society in the current decade, as well as reduce domestic inequality and extend the benefits of globalisation to all countries, in response to global concerns about growing inequality.

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