

# Relativism in Modern Russian Economy

V.V. Smirnov\*, V.L. Semenov, I.Yu. Shachkova, M.N. Yaklashkin

*Chuvash State University, Cheboksary, Russia*

*\*Corresponding author. Email: E-mail: walera712006@mail.ru*

## ABSTRACT

The article explores the phenomenon of relativism in the modern economy. The aim of the work was to reflect the manifestations of relativism in the modern Russian economy, to identify the truth of preferences and ways to preserve its integrity. The study is based on a system approach and descriptive statistics methods. The article shows the relevance of relativism in the modern economy against the background of a critical moment in the existence of the world order and the lack of stability of the Russian socio-economic formation. The analysis of the forms and patterns of the relativism manifestation in the modern economy revealed its effect as a postulate. The study revealed the norm of relativism in the form of stability, and its manifestation is the transition from the concept of sustainable development to sustainable relativism. The paper reveals the connection of the tectological stability of the Russian economy with the growth of transfers and gross investments in fixed assets. The manifestation of relativism in the modern Russian economy is due to the structuring of the world order in the classical hierarchy from developing totalitarian countries to developed democratic countries. Maintaining the integrity of the modern Russian economy is ensured by total state control over all aspects of public and private life. The process of maintaining integrity consolidates the Russian economy at the level of "raw" countries, which existence quality is determined by the stability of global demand for hydrocarbons, and the duration - by their reserves. The manifestation of relativism in the modern Russian economy is associated with the instability of the socio-economic formation caused by increasing globalization and a critical moment in the existence of the modern world order. Under these conditions, the truth of the preferences of the Russian economy is due to the requirement to preserve its integrity. The way to preserve the integrity of the "raw" Russian economy is limited by total state control over all aspects of public and private life.

**Keywords:** *globalism, word order, moment of existence, uncertainty, relativism, stability*

## 1. INTRODUCTION

The classical definition of relativism is associated with the philosophical interpretation of natural, sociocultural, worldview, cognitive objects in their relation to each other and their environment, through the primacy of the connection of objects over their substantial properties, the priority of integrity, systematicity over its individual parts, development over conservation. The priority is given to the connectedness of objects and integrity over the substantial properties of parts of the system. The axiom of the universal relativity and the postulate of all-round relativity are formulated, contrasting relativism with objectivism. The opposition of relativism to objectivism logically proceeds to deny the achievement of absolute truth, while the moment of truth in phenomena remains.

In social sciences, relativism has manifested itself holistically in the historical and economic school, which describes the development of the economy and society through the prism of socio-economic formations, successively replacing one another. Socio-cultural relativism reveals the uniqueness and historical variability

of social systems in the context of their situational conditioning, isolation and incommensurability with each other. The lack of convergence is interpreted as a tendency to preserve the cultural values and attitudes that dominate in every society due to economic behavior and social processes (Bonatti, 2008) [1].

The history of economic thought shows that scientific and public interest in relativism arises whenever life undergoes changes that do not fit into the concept of the causality of the existence of the world. Characteristically, it is affirmed from moral requirements, as well as requirements that carry truth values. It is stated that claims to morality and truth are not self-evident or absolute, but relate to the social class, cultural conventions, etc. Historical relativism is that particular case of relativism in which morality and truth are relativized with respect to time, or to a historical period, or to the spirit of time, or to a historical context (Jarvie, 2007) [2].

Relativism is one of the most persistent theories of truth, with a pedigree as ancient as philosophy itself. Almost as ancient is the main criticism of relativism - the accusation of the self-denial of theory. It is argued that while "everything is relative" is inconsistent, and "everything

true is relatively true” is not. The logic of relativism is designed to provide a formal framework within which relativists can consistently develop their theories (Hales, 1997) [3]. Thus, it can shape the existence of relativism at the borders of interdisciplinary knowledge (Sankey, 2011) [4] about nature, society and methods of cognition. The idea of relativism in economic theory is found in the recognition of space and time as a relative reality in which an economic entity exists and the object of its activity functions.

The above concept of relativism allows us to reveal its essence as a way of thinking not related to the search for absolute truth, but only describing the movement towards it, with the disclosure of the new content of objective reality and its inclusion in the system of established substantial ideas and thoughts.

The relevance of the study is due to the lack of understanding of the socio-economic formation that is acceptable for modern Russia, as well as the possibility of its long-term existence. The historically short lifetimes of socio-economic formations, the relatively unpredictable transitions from one of them to another, confirm the legitimacy of applying the relativistic approach to the analysis of the Russian economy.

## 2. PROBLEM STATEMENT

The knowledge of natural, sociocultural, ideological, cognitive objects, their relations to each other and their environment, through the primacy of the connection of objects over their substantial properties, the priority of integrity, systematicity, reality over its individual parts, development over conservation, are the basis for ideas about forms and laws of relativism manifestations in the economy. This allows us to choose a progressive (Hays, 1995) [5] socio-economic formation for Russian reality and propose a paradigm for its development in the context of globalization and escalating world competition.

Globalization and escalating world competition are the determinants of relativism in the economy. Globalization, as a process of global economic, political, cultural and religious integration, through the unified cohesion of countries, transnationalization and regionalization, acts as the logics of the thesis. The phenomenon of escalated global competition intensifies the struggle between countries for markets, enhancing the diversification of their economies, and this situation is recognized as the antithesis. Synthesis comes in the form of an etheric manifestation of relativism in the economy.

Modern economic science is increasingly deviating from the concept of sustainable development, adopting the phenomenon of relativity (Liu, 2007) [6]. The contrast between the "absolute" and "relative" results of human behavior is becoming increasingly apparent. The "absolute" allows individual behavior, the "relative" - variations from the outcome of the activity. Individual behavior is the source of capitalism, and institutions were created to reduce the diversity of human behavior. The absolute nature of the result was personalized in such a

way as to reduce the different choices of people to one (Li, 2017) [7].

The main manifestation of relativism in the economy is the international criterion for assessing the growth of national economies at purchasing power parity. The relative purchasing power parity, defined as the long-term specific elasticity of the nominal exchange rate in relation to relative national prices, which makes it possible to take into account the potentially constant shocks of the real exchange rate, is gaining considerable popularity. The relative purchasing power parity in industrialized and developing countries shows that differences in inflation rates are reflected on average one to one in the long-term nominal depreciation of the exchange rate (Coakley, Flood, Fuertes & Taylor, 2005) [8]. In this context, the criterion for assessing the growth of national economies is relative and derived from comparisons of indicators.

Such practices become popular while conducting empirical studies of the connectedness of elements in the economy and investigating its structural nature (Smirnov, Semenov, Kadyshchev, Zakharova, Guschin, Kravchenko, Yaklashkin & Filippova, 2019) [9]. For example, empirical studies of persistence sensitivity used by promising models shed a new light on the excessive volatility of investments, showing a relative reaction to the current account and investments (Hoffmann, 2001) [10]. The action of the postulates of relativism is manifested not only in the direction of the "arrow of time", but it can also form cycles, for example, in a circular economy (Ranta, Aarikka-Stenroos & Mäkinen, 2018) [11], and shape the possibility of reducing the frequency of crises (Sondermann, 2018) [12].

The tectological stability of the Russian economy is associated both with the growth of transfers, which contribute to an increase in living standards and an increase in household consumption, as well as gross fixed investment. These variables contributed most to the development of the modern Russian economy (Murat, Hobikoğlu & Dalyancı, 2014) [13].

## 3. RESEARCH QUESTIONS

The subject of the study is the manifestation of relativism in the modern Russian economy through its naturally essential primacy of the connection of objects over their substantial properties, the priority of integrity, consistency over its individual parts, development over conservation, reflects the structural weakness of the Russian economy. Globalization structures the world order in the classical hierarchy from the lowest level of developing countries with a totalitarian political regime to its highest level - developed democratic countries. Total state control over all aspects of public and private life, in the context of strict structuring of the world order, intensified by a drop in world trade growth and intensified global competition, consolidates the Russian economy at the level of "raw" countries, whose quality of life is determined by the

stability of the world demand for hydrocarbons, and the duration – by their stocks.

3.1. The manifestation of relativism in the modern Russian economy is associated with a dichotomy of priorities regarding types of economic activity: (1) true activity - natural and associated gas production; (2) imaginary activity - social responsibility to single-industry coal and peat mining regions. The compensatory mechanism is the redistribution of responsibility from the state to households, through cross-subsidization by increasing the price of natural and associated gas.

3.2. The dynamics of the production index by type of economic activity reflects the priority of development of manufacturing industries. Based on polynomial trends, the predominance of growth in mineral production over manufacturing will remain in the Russian economy in the near future. This prospect is associated with a drop in the pace of world trade and with an escalating global competition.

**4. PURPOSE OF THE STUDY**

The aim of the work was to reflect the manifestations of relativism in the modern Russian economy, to identify the truth of preferences and ways to preserve its integrity. The achievement of the goal is facilitated by the analysis of knowledge about the forms and patterns of manifestation of relativism in the economy, by the manifestation of the postulate of relativism not only in the direction of the “arrow of time”, but also of the possibility of the formation of cycles (circular economy).

Understanding the manifestations of relativism allows us to predict the emergence of global and national economic risks, as well as to develop measures to eliminate them if they materialize. This is relevant for countries supporting the myth of sustainable economic development of “raw” countries at purchasing power parity, which nominally

reflects changes in prices for productive resources and public goods with a relatively low household welfare base.

**5. RESEARCH METHODS**

To assess the manifestation of relativism in the modern Russian economy, we use the methods of descriptive statistics, including the processing of empirical data, their systematization, visual presentation in the form of graphs and tables, their quantitative description using the main statistical indicators (King & Eckersley, 2019) [14], (Brownstein, Adolfsson & Ackerman, 2019) [15].

Using tables, charts, and summary figures, it is possible to describe the behavior of each type of variable. Tables, charts, and graphs are studied using MS Excel, IBM SPSS Statistics Software (Favero & Belfiore, 2019) [16]. Using descriptive statistics, we estimate the data array by statistical indicators - median and variance.

**6. RESEARCH RESULTS**

We will analyze the truth of the preferences of the Russian economy as a way of knowing the manifestations of relativism in its development by assessing changes in investment dynamics, by the form of ownership, types of fixed assets and types of economic activity that are essential for the Russian economy in the context of the production index (Smirnov, Semenov, Kadyshv, Zakharova & Perfilova, 2019) [17].

An assessment of the rates of gain (Rates of Gain, RG) of investments in fixed assets in 2001-2018 in the Russian Federation by the type of ownership (in actual prices) according to the Federal State Statistics Service (Rosstat) (table 1) revealed a steady tendency for state ownership to transfer to private (Me = -1.2%,  $\sigma^2 = 53.7$  and Me = 4.2%,  $\sigma^2 = 52.1$ , respectively).

**Table 1.** The rates of gain (RG) of investments in fixed assets in the Russian Federation by form of ownership (at actual prices, as a percentage of the total). 2001-2018.

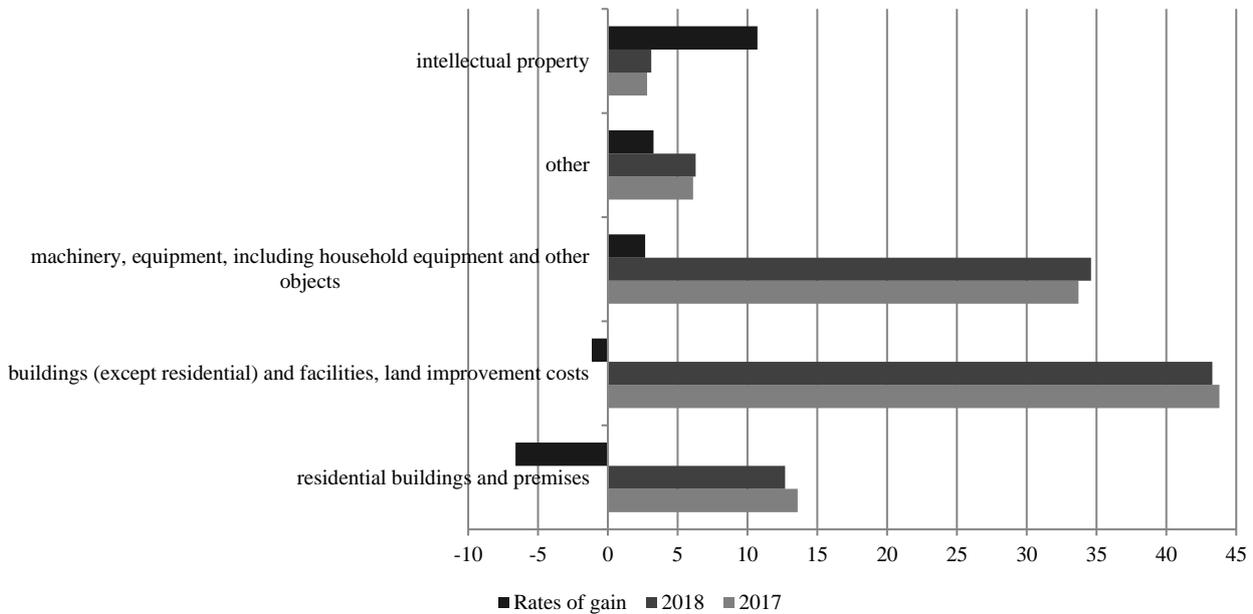
<b>Indicators</b>	<b>Median, Me,%</b>	<b>Variance, <math>\sigma^2</math></b>
Investments in fixed assets including:		
Russian property including:	0.6	3.4
State property including:	-1.2	53.7
Federal property	-4.3	67.8
Property of constituent entities of the Federation	-4.1	151.2
- municipal property	-5.4	60.4
- private property	4.2	52.1
Mixed Russian property (without foreign participation)	-7.7	349.3
Property of consumer cooperative societies	-1.1	1109.5
Property of public and religious associations	-4.1	1964.2
Property of state corporations	0.0	236.9
Foreign property	0.8	762.0
Joint Russian and foreign property	-3.2	148.5

Source: calculated by SPSS Statistics according to the Federal State Statistics Service (Rosstat). <https://www.gks.ru>. (Accessed December 31, 2019).

An excess of RG of foreign ownership ( $Me = 0.8\%$ ,  $6^2 = 762.0$ ) over Russian one ( $Me = 0.6\%$ ,  $6^2 = 3.4$ ) is observed. This excess is caused by a decrease in RG of joint Russian and foreign property ( $Me = -3.2\%$ ,  $6^2 = 148.5$ ) against the background of a general fall in federal and municipal property, property of public and religious associations, mixed Russian property (without foreign participation).

So, the results of the assessment of RG investment in fixed assets by the types of ownership indicate the preferences of private and foreign property.

The assessment of RG investments in fixed assets in 2017-2018 by types of fixed assets (in actual prices) according to the Federal State Statistics Service (Rosstat) revealed the corresponding hierarchy (figure 1).



**Figure 1.** The hierarchy of investments in fixed assets in the Russian Federation by types of fixed assets (in actual prices, as a percentage of the total). The distribution by types of fixed assets in 2017 is given in accordance with the All-Russian Classifier of Fixed Assets OK-013-2014.

Source: Federal State Statistics Service (Rosstat). <https://www.gks.ru>. (Accessed December 31, 2019).

In this hierarchy, RG investments in intellectual property prevail, and residential buildings and premises are less popular. The total volume is prevailed by buildings (except residential) and structures, land improvement costs, as well as machinery, equipment, including household equipment and other objects.

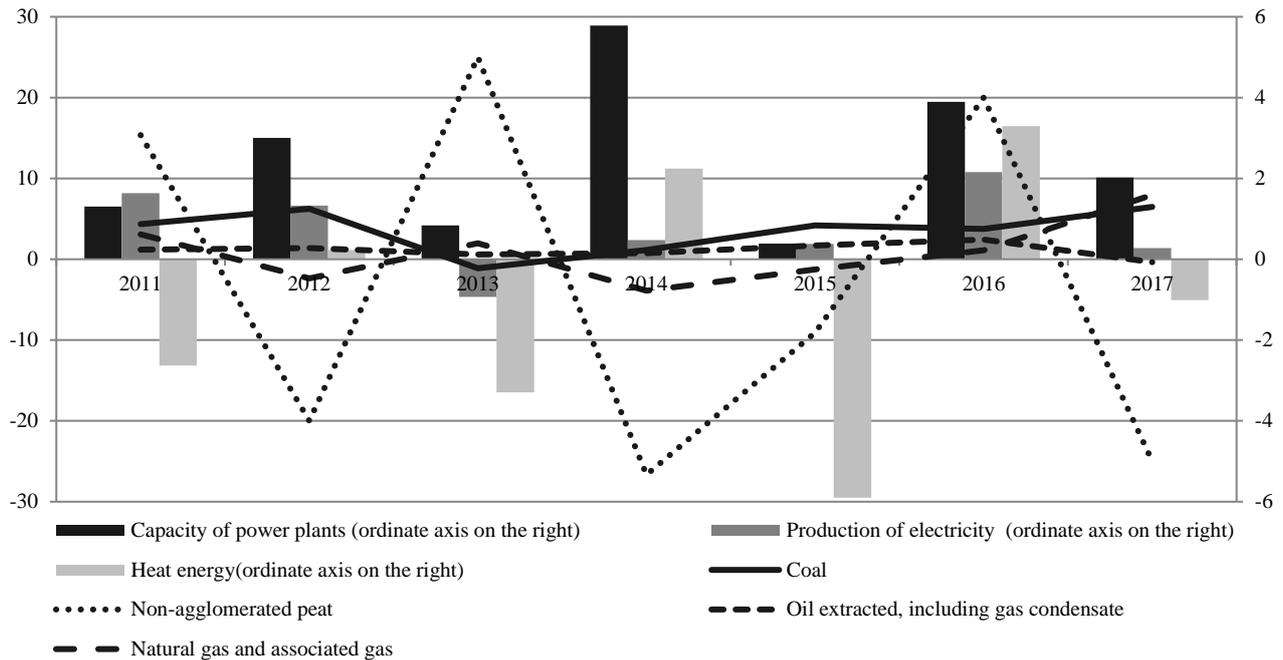
So, the results of the assessment of RG investment in fixed assets by types of fixed assets indicate the priority of intellectual property materialized in buildings (except residential) and facilities, land improvement costs, as well as machinery, equipment, including household equipment and other objects.

The RG assessment of the types of economic activities that are essential for the Russian economy - "Extraction of fuel and energy minerals" and "Capacity of power plants, production of electricity and heat energy" in 2011-2017 according to the Federal State Statistics Service (Rosstat) revealed the following data (figure 2):

- positive Me RG production of coal, oil (including gas condensate), natural gas and associated gas; power generation and capacity of power plants;

- extremes - high Me values of RG coal production ( $Me = 4.20\%$ ,  $6^2 = 7.44$ ) and negative values for non-agglomerated peat ( $Me = -9.09\%$ ,  $6^2 = 503.52$ ).

So, the results of the RG assessment of the types of economic activity that are essential for the Russian economy have revealed the necessary condition and true priority for the development of the Russian economy - the RG of natural and associated gas production, as well as the imaginary priority caused by social responsibility to single-industry coal and peat mining regions. In a situation of a decrease in RG of heat production, pressure on the budget of these regions will increase significantly. The compensation mechanism will be the redistribution of responsibility from the state to households, through cross-subsidization by increasing natural and associated gas prices.



**Figure 2.** Rates of gain (RG) “Extraction of fuel and energy minerals” and “Capacity of power plants, production of electricity and heat energy”, %.

Source: Federal State Statistics Service (Rosstat). <https://www.gks.ru>. (Accessed December 31, 2019).

## 7. CONCLUSION

The relevance of relativism in the modern Russian economy is due to the achievement of the highest level of formation of world economic activity and the conditions of escalating global competition against the background of a drop in the growth rate of world trade. A critical moment in the existence of the modern world order causes the emergence of numerous breaks in ties between national economies. This leads not only to a violation of coherence and integrity, but also to an increase in uncertainty and entropy, both at the world level and in individual countries. The loss of integrity actualizes the problem of relativism in the world economy, as well as in the context of the analysis of its restoration and conservation possibilities. The priority of the connectedness of objects and integrity over the substantial properties of parts of the system is the basis of modern economics subject to globalization.

An analysis of the truth of the preferences of the Russian economy as a way of knowing the manifestations of relativism in its development indicate: preferences of private and foreign property; priority of intellectual property materialized in buildings (except residential) and structures, land improvement costs, as well as machinery, equipment, including household equipment and other objects; a necessary condition is the preservation and increase in RG of natural and associated gas production, as

well as the renunciation of social responsibility to single-industry coal and peat mining regions.

## REFERENCES

- [1] L. Bonatti. Cultural relativism and ideological policy makers in a general equilibrium model with for-profit and non-profit enterprises. *Research in Economics*, 2008, vol.62, no.1, pp.1-15. DOI: 10.1016/j.rie.2007.10.004
- [2] I. Jarvie. Relativism and historicism. *Philosophy of Anthropology and Sociology*, 2007, pp.553-589. DOI: 10.1016/B978-044451542-1/50017-9
- [3] Hales, S. (1997). A consistent relativism. *Mind*, 1997, vol. 106, no.421, pp.33-52. DOI: 10.1093/mind/106.421.33
- [4] H. Sankey. Epistemic relativism and the problem of the criterion. *Studies in History and Philosophy of Science Part A*, 2011, vol.42, no.4, pp.562-570. DOI: 10.1016/j.shpsa.2011.09.012
- [5] D.G. Hays. Relativism and progress. *Journal of Social and Evolutionary Systems*, 1995, vol.18, no.1, pp.9-32. DOI: 10.1016/1061-7361(95)90013-6

- [6] X. Liu. Exploration on Relativity of Modern Economic Science: Viewpoint Based on Sustainable Development. *China Population, Resources and Environment*, 2007, vol.17, no.1, pp.11-14. DOI: 10.1016/S1872-583X(07)60003-5
- [7] K.-W. Li. Redefining Capitalism in Global Economic Development. Chapter 6 - Economic Relativity and Capitalism, 2017, pp.75-82. DOI: 10.1016/B978-0-12-804181-9.00006-9
- [8] J. Coakley, R.P. Flood, A.M. Fuertes, M.P. Taylor. Purchasing power parity and the theory of general relativity: the first tests. *Journal of International Money and Finance*, 2005, vol.24, no.2, pp.293-316. DOI: 10.1016/j.jimonfin.2004.12.008
- [9] V.V. Smirnov, V.L. Semenov, E.N. Kadyshchev, A.N. Zakharova, I.A. Guschin, T.V. Kravchenko, M.N. Yaklashkin, O.A. Filippova. Effective Public Administration of the Russian Economy. *International Conference Communicative Strategies of Information Society (CSIS 2018)*, 2019. DOI: 10.2991/csis-18.2019.13
- [10] M. Hoffmann. Relative Dynamics of Investment and the Current Account in the G7-Economies. *The Economic Journal*, 2001, vol.111, no.471, pp.148-163. DOI: 10.1111/1468-0297.00625
- [11] V. Ranta, L. Aarikka-Stenroos, S.J. Mäkinen. Creating value in the circular economy: A structured multiple-case analysis of business models. *Journal of Cleaner Production*, 2008, no.201, pp.988-1000. DOI: 10.1016/j.jclepro.2018.08.072
- [12] D. Sondermann. Towards more resilient economies: The role of well-functioning economic structures. *Journal of Policy Modeling*, 2018, vol.40, no.1, pp.97-117. DOI: 10.1016/j.jpolmod.2018.01.002
- [13] S. Murat, E.H. Hobikoğlu, L. Dalyancı. Structure and Sustainability of Current Account Deficit in Turkish Economy. *Procedia - Social and Behavioral Sciences*, 2014, no.150, pp.977-984. DOI: 10.1016/j.sbspro.2016.05.466
- [14] A.P. King, R.J. Eckersley. Chapter 1: Descriptive Statistics I: Univariate Statistics. *Statistics for Biomedical Engineers and Scientists*, 2019, pp.1-21. DOI: 10.1016/B978-0-08-102939-8.00010-4
- [15] N.C. Brownstein, A. Adolfsson, M. Ackerman. Descriptive statistics and visualization of data from the R datasets package with implications for clusterability, 2019, *Data in Brief*, 25. Article 104004. DOI: 10.1016/j.dib.2019.104004
- [16] L.P. Favero, P. Belfiore. Chapter 3: Univariate Descriptive Statistics. *Data Science for Business and Decision Making*, 2019, pp.21-91. DOI: 10.1016/B978-0-12-811216-8.00003-3
- [17] V. Smirnov, V. Semenov, E. Kadyshchev, A. Zakharova, E. Perfilova. Management of development efficiency of the Russian Economy. *The European Proceedings of Social & Behavioural Sciences (SCT 2018)*. 2019, No 218, pp.1871-1877. DOI: 10.15405/epsbs.2019.03.02.218