THE PRINCIPLE OF MUTUAL INTEREST AS A TOOL FOR HARMONIZING THE DISTRIBUTION SYSTEM

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ABSTRACT

This article is devoted to distribution relations. It analyzes theoretical issues related to the distribution of goods produced in the transition of the Russian economy from planned economic management to work in market conditions, considers indicators of mutual interest of the parties to the production process, as well as possible transformations associated with the monopoly position of one of the parties in the production process. On the basis of the material presented in the work, a mechanism is proposed that contributes to the formation of optimal decisions in the distribution of the goods produced.

Keywords: Distribution of goods. Production of a product. Production process. Distribution process. System of distribution relations.

O PRINCÍPIO DO INTERESSE MÚTUO COMO FERRAMENTA PARA HARMONIZAR O SISTEMA DE DISTRIBUIÇÃO

RESUMO

Este artigo é dedicado às relações de distribuição. Analisa questões teóricas relacionadas à distribuição dos bens produzidos na transição da economia russa da gestão econômica planejada para o trabalho em condições de mercado, considera indicaadores de interesse mútuo das partes no processo produtivo, bem como possíveis transformações associadas ao monopólio, posição de uma das partes no processo produtivo. Com base no material apresentado no trabalho, é proposto um mecanismo que contribui para a formação de decisões ótimas na distribuição dos bens produzidos.


RESUMEN

Este artículo está dedicado a las relaciones de distribución. Analiza cuestiones teóricas relacionadas con la distribución de bienes producidos en la transición de la economía rusa de la gestión económica planificada al trabajo en condiciones de mercado, considera indicadores de interés mutuo de las partes del proceso de producción, así como posibles transformaciones asociadas con el monopolio, posición de una de las partes en el proceso de producción. A partir del material presentado en el trabajo, se propone un mecanismo que contribuya a la formación de decisiones óptimas en la distribución de los bienes producidos.

INTRODUCTION

The process of building an economy based on the free-market principles has been going on in Russia for more than twenty years. The process of transition from a socialist economy (a plan and calculation economy) to a capitalist one (a free market economy and competition) was accompanied and continues to be accompanied by deep upheavals of the entire society, which have both economic and ideological reasons, as well as political and social ones. However, the growing concentration of capital and an increase in the differentiation of spending by the majority presupposes the emergence of serious tension and confrontation in society, which creates growing contradictions in social relations (PIKETTY, 2015).

Approaches to solving these problems were sought in the field of reforming macroeconomic policy (STIGLITZ, 2014, Samuelson, 2007), reforming the fiscal function of the state (PIKETTY, 2015; STIGLITZ, 1983), as well as forming new innovative systems (SAFIULLIN, CHEKHLOMIN, AKSYANOVA, 2019; SAFIULLIN, ABDUKAEVA, ELSHIN, 2019). In our opinion (RYLOV, 2019; RYLOV, 2020), the key problem is shortcomings and limitations of the current mechanism for the distribution of goods produced.¹

In the pre-reform (socialist) period of Russia’s development, economic processes were regulated in such a way as to provide the entire population with the necessary products and services. Manufacturing produced products that were centrally distributed, while the surplus of producers was withdrawn in favor of the state. As this period was virtually devoid of private ownership of the means of production, the state was the main distributor of the material goods produced. After the reforms aimed at introducing market mechanisms into production processes, the distribution system also underwent significant changes. If previously only the employee and the state were the recipients of the goods produced, now a new entity has been added to these parties – the non-state owner of the means of production.

The benefits distributed between these parties are based on the form of wages, profits (dividends and receipts similar in nature) of the owner of the means of production and state revenues (taxes, duties and other receipts). In other words, most of the benefits produced in the capitalist economy are distributed in the form of wages, the recipient party in this case is the employee, the income of the owner of the means of production, the receiving party is the capitalist or the state, the state’s revenue, the receiving party, respectively the state. As the subject of this work, we have determined the balance of distribution relations between the state, the owner of the means of production, and the employee in the process of producing material goods. In order to facilitate their existence, people formed associations, on the basis of which states were subsequently created to develop uniform rules of community. Accordingly, the state is secondary in relation to society. The society living on the territory uses the resources of this territory (water, mineral resources, land plots, forests, etc.) at its own discretion. Accordingly, the society living in the territory possesses the resources of this territory. In other words, it extends its ownership of these resources.

The fact that this particular society lives in a certain territory and has the resources of this territory available is no merit of such a society as a whole, and in relation to specific representatives of such a society. Accordingly, initially the right of ownership of nature and its gifts should belong to the entire society (people) inhabiting a particular territory. It follows that natural resources consumed within a society should not have prices for this society, and society should only pay the costs associated with extracting such resources from the depths. In this case, the income from the sale of such resources outside the borders should initially belong to the entire society.

States during their development have undergone a transformation, and the above fundamental provisions were no longer observed. The ruling part of society, using the instruments of the state, appropriated the right to dispose of the natural resources of the territories and the results of society’s labor, thereby infringing upon the rights of the rest of society. On this basis, a concentration of wealth and the division of society into rich and poor took place.

Capitalism in the course of its development presupposes capital and its growth - the main criterion for the effectiveness of economic development. Accordingly, the most general economic goals are for the capitalist to receive the greatest income, for an employee - to receive the highest wages, for the state - to receive the largest amount of taxes. At the same time, the state needs to create economic conditions under which the achievement of the above goals becomes possible. In the most general form, the model of the development of capitalism in Russia is presented below (see Figure).

¹The category “distribution” is understood as the primary division of the produced product between the participants in the production process determined in the work according to the rules established in the country.
Figure 1. Development of capitalism in Russia - before 1917

Source: Search data

Figure 2. Socialist period 1917-1991 (the period of transition from the capitalist path to the socialist, the rejection of the free market and the transition to the plan, the emergence of a socialist state)

Source: Search data
Nevertheless, having made a historic decision and once again returning to the capitalist path of development, Russia has become a part of the world market. The further functioning of the country’s economy will depend not only on the formation of the internal conjunction, but also on the development of international markets. The system of distribution of the results of activity, which has formed in Russia as a result of the reforms, has created conditions under which the country’s budget is formed in large part at the expense of the population. This is facilitated by a significant share of indirect taxation. In such a system, a large share of the budget is filled due to the consumption of goods and services by the population. Accordingly, the population should be able to consume, otherwise there will be a decrease in the volume of budget revenues from the share formed by the population, and the state will not receive the resources necessary for its functioning. Therefore, the achievement of dynamism in the development of the economy in Russia, in our opinion, will be associated with the solution of a key theoretical problem: maintaining and increasing the level of well-being of employees in intra-industry, inter-industry and global competition. This challenge can be solved by creating conditions for maintaining and increasing jobs, increasing wages.

One of the main issues in the development of new mechanisms for regulating the system of distribution of produced goods is to determine the balance of distribution of resources between the parties - recipients of benefits: the state, an employee and the owner of the means of production. The search and determination of the balance of distribution in this case is necessary, since the monopoly position of one of the parties to the distribution system bears significant disparities, which subsequently lead to the emergence of critical socio-economic processes.

Therefore, to avoid situations in which one of the parties to the production process occupies a monopoly position (be in such a state in which the adoption of decisions that worsen the position of the other party does not entail negative changes for the deciding party), the system of distribution of the goods produced should be based on the principle of mutual interest of other participants in the system (the positive development of one participant in the system should be accompanied by an improvement or not worsen the position of the other participant). The system of distribution of the goods produced should be based on the obligatory participation of all three parties in the process of production of goods and their further distribution, the minimum size of which allows ensuring the restoration of the expended efforts and the vital activity of the participants in the distribution system (see Figure).

**Figure 3.** Functioning of a balanced system of distribution of the goods produced.

**Source:** Search data
The relations shown in the diagram ensure an equilibrium participation of participants in the production process and are based on mutual economic interest, in particular: (see table below).

**Table 1. Indicators of mutual interest of the parties to the production process**

<table>
<thead>
<tr>
<th>Participant in the production process</th>
<th>Reasons for mutual interest</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The state</strong></td>
<td>A hired worker is a subject that generates new value</td>
</tr>
<tr>
<td></td>
<td>The owner of the means of production is an entity that forms and develops assets</td>
</tr>
<tr>
<td><strong>A hired worker</strong></td>
<td>The state is the subject that forms the rules and provides public goods, an employer</td>
</tr>
<tr>
<td></td>
<td>An owner of the means of production - an employer</td>
</tr>
<tr>
<td><strong>An owner of the means of production</strong></td>
<td>The state is the entity that forms the rules that ensure the protection of assets, an employer</td>
</tr>
<tr>
<td></td>
<td>A hired worker - a mechanism for setting assets in motion, a consumer</td>
</tr>
</tbody>
</table>

**Source:** Search data

As we can see, the production of goods in the capitalist economic system cannot be realized without the participation of all three participants in the production process (if the state participates in production, it performs the functions of the owner of the means of production). It also becomes clear that in the event of dominance of one of the participants in the production process over the others and/or the presence of signs of monopoly behavior, the stability of such a system will be questioned (see the table below).

**Table 2. Possible transformations associated with the monopoly position of one of the parties to the production process**

<table>
<thead>
<tr>
<th>Monopolist behavior:</th>
<th>Possible negative transformations</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>of the state</strong></td>
<td>deterioration of the situation of employees, decrease in the level of income of the population, decrease in consumption, decrease in tax revenues</td>
</tr>
<tr>
<td></td>
<td>a decrease in capital participation in the development of the country - a decrease in investment, a decrease in supply on the labor market, a decrease in tax revenues</td>
</tr>
<tr>
<td><strong>of hired workers</strong></td>
<td>a decrease in the competitiveness of the state in world markets</td>
</tr>
<tr>
<td></td>
<td>deterioration of the position of the owner of the means of production - reduction of investments in business development, capital withdrawal from the market, reduction of supply on the labor market, reduction of tax revenues</td>
</tr>
<tr>
<td><strong>of owners of the means of production</strong></td>
<td>reduced ability of the state to fulfill social obligations (to provide living space for employees)</td>
</tr>
<tr>
<td></td>
<td>deterioration of the situation of employees, decrease in the level of income of the population, decrease in consumption, decrease in tax revenues</td>
</tr>
</tbody>
</table>

**Source:** Search data

Accordingly, the distribution system in the distribution of goods must ensure the vital activity of all three parties to the production process and not allow a significant decrease in the share of participation of any of the parties in the process. Consequently, in conditions of limited benefits, from the standpoint of restoring the resources necessary to maintain reproduction and further subsequent development, the distribution of benefits should be implemented progressively (see Figure).
Figure 4. The sequence of distribution of the goods produced in order to ensure the economic survival of society

<table>
<thead>
<tr>
<th>Hired workers</th>
<th>Owners of the means of production</th>
<th>The state</th>
</tr>
</thead>
<tbody>
<tr>
<td>- provide living standards in accordance with the requirements of the family;</td>
<td>- ensure the restoration and development of spent capital;</td>
<td>- ensure the functioning of the necessary public institutions;</td>
</tr>
<tr>
<td>- ensure development and accumulation for the period of disability and old age.</td>
<td>- ensure living standards in accordance with the requirements of the family;</td>
<td>- compensate for the life losses of society;</td>
</tr>
<tr>
<td></td>
<td>- ensure development and accumulation for the period of disability and old age.</td>
<td>- ensure the development of infrastructure and high standards of public goods.</td>
</tr>
</tbody>
</table>

Source: Search data

The figure summarizes the sequence the participants in the production process use the incoming goods to ensure their livelihoods with. Regarding the allocation of resources for the functioning of the state, it is necessary to clarify that initially the state incurs costs for the functioning of its institutions (power, education, health care, the army, etc.), since without these costs the state cannot fully perform its functions. By “ensuring the life losses of society” we mean material compensation for the loss of working capacity (pensions, benefits, sick leave, etc.) - without such costs, it is difficult to provide a full-fledged living for a significant part of society. And only after the formation of sources that provide the minimum necessary resources for the first two items of expenditure, the state can form the basis for development.

Unlike the state, the owner of the means of production primarily seeks to ensure the restoration of spent capital, as capital is the basis of its existence, and only after that, ensure development and its income. The hired worker primarily works to ensure his survival and ensure the life of the family. Here it is necessary to consider the disproportions in the development of the distribution system of the goods produced in favor of one of the parties. It should be noted that the maximum transformations of the distribution system in favor of one side or the other will lead to significant difficulties in the further development of that production participant, in favor of whom the maximum distribution of the produced goods has been made.

If to direct resources towards hired labor only, then such a situation will subsequently lead to a reduction in the owners of the means of production and, as a consequence, to a reduction in supply on the labor market and a decrease in the standard of living of the entire population. In the case of the accumulation of most of the resources in the hands of capitalists, there will be a reduction in the consumption market and, as a result, a fall in the profitability of production and, subsequently, a fall in the profit of the owner of the means of production.

The maximum concentration of funds at the disposal of the state over time will help to reduce the flow of tax revenues, due to which the state exists. In other words, a participant in the production system, who monopolistically distributed the maximum possible amount of resources in his favor, reduces his development opportunities in the future. Therefore, the system of distribution of the goods produced should operate taking into account the principle of respecting the interests of all participants in the production process, or, in other words, ensure development based on the data of the table "Indicators of mutual interest of the parties to the production process" above, and not allow changes defined in the table "Probable transformations, associated with the monopoly position of one of the parties to the production process".

The approach proposed in this article, from our point of view, allows us to solve a theoretical issue and a specific practical problem: it reduces the negative background of the problem of capitalist exploitation and allows a more even distribution of resources. Given the above, the transformation of the distribution system should be guided by the basic postulate that the state budget significantly depends on the growth of wages and assets. In other words, tax revenues from the wage bill and taxes from assets should constitute the determining part of tax revenues to the budget. In this case, conditions are created for the direct interest of the state in creating conditions for the growth of wages and assets of business entities.
The most accelerated mechanism for such implementation in Russia is an increase in taxes on wages and property. At the same time, according to the principle of mutual interest of the participants in the distribution system of the goods produced, such an increase should not lead to a general deterioration in the situation of employees and owners of the means of production. It is also necessary to consider that the transformation of taxation should stimulate or create conditions for the growth of assets (the development of the industries themselves and the development of social infrastructure). Accordingly, to prevent the deterioration of the situation of hired workers and owners of the means of production, simultaneously with the increase in direct taxes, it is necessary to reduce indirect ones, for example, the value added tax.

It is the end consumer who pays value added tax. At the same time, its essence is that if a citizen has a minimum income and, in order to maintain his life, he is forced to spend it completely, then, accordingly, such a citizen pays value added tax on all income received by him. If a citizen spends only a part of his income and can form a surplus directing it to savings, then such a citizen does not pay value added tax in terms of unspent income. Thus, one of the sides of value added tax is its ability to more affect the poorest segments of the population.

Currently, the budget of the Russian Federation is almost 10% formed from the value added tax on goods sold in the country. By redistributing the load from value added tax on goods, on direct taxation of income of owners of means of production and employees, we obtain the total share of the budget within 20% of the total volume of the consolidated budget of the country will depend on the volume of wages and property ([information: www.gks.ru]).

Accordingly, the interest of the state in increasing the taxable tax databases increases significantly, which in turn should induce the state to create conditions for the positive dynamics of the growth of wages and assets of enterprises. At the same time, it is possible to form such mechanisms, the implementation of which will not lead to an increase in the total tax burden on the population and enterprises. This proposal confirms the possibility of implementing the principle of mutual interest of participants in the system of distribution of goods produced when forming proposals to change the system of redistribution of goods produced.

Thus, summing up this work we consider it important to revise the proportions of the distribution of goods produced in favor of hired labor, which will make economic development more sustainable. The resulting additional consumption will have a beneficial effect on the social sphere, including by reducing social tension and increasing inclusion.

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