

# The Role of Kuzbass in the New Strategy of Socio-Economic Development of Russia in the Fourth System Cycle of Capitalist Accumulation: the World-System Analysis

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**Abstract.** The aim of the research is to develop the conceptual foundations of the strategy of socio-economic development for mining region (on the example of Kuzbass) under the conditions of the fourth systemic cycle of capitalist accumulation. The relevance of the issue is determined by the need to eliminate the growing lag of Russia behind the world economy leaders, which is impossible without a new vision of the role of resource-producing regions in the national economic system. Integration of Russia into the capitalist world-system on the basis of the Washington Consensus has formed in it a raw-materials export model in which its natural resources serve the accelerated economic growth of the competing countries. The accumulation of individual capitals dominates the social capital accumulation, which leads to a reduction in Russia's share in world GDP and population. This article presents the conceptual foundations of the Kuzbass development strategy in accordance with the new conditions for the Russian economy performance in the fourth systemic cycle of capitalist accumulation.

## 1 Introduction

The aim of the work is to define the theoretical foundations of the concept of socio-economic development of mining region on the example of Kuzbass in the conditions of the fourth systemic cycle of capitalist accumulation. The scientific novelty of the research is connected with a new methodological approach to the analysis of mining region performance in the system of the national economy, which makes it possible to identify previously unrecorded global and macroeconomic factors of their modern development. The scientific relevance consists in the identification and systemization of the theoretical foundations of a new development strategy that allows reversing the trends of unsustainable economic growth that does not provide for the expanded reproduction of social capital, neo-industrialization, and a significant increase in the well-being of people. The practical relevance of the research is related to the possibilities of using the proposed concept for the rationale, development and adoption of solutions on strategic issues of social and economic

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development of the resource-producing regions of the Russian Federation, and also to the educational process for improving the quality of economic thinking. Achievement of this objective is provided by scientific rationale of the need to change the paradigm of the economic development of the national economy on the basis of the world-system analysis methodology and studies of its application by foreign researchers to the development of capitalism and research of the economy of developing countries with large export sectors of the extractive industry

## **2 Materials and Methods**

According to the world-system approach, the basic unit of analysis is not a single national economy, but the "historical system" of different countries of the world – the capitalist world-economy. It is the structure of the social division of labor, within which a change in one of the elements leads to a change in other elements and the system as a whole. The three structural positions of the world-economy – the core (center), the periphery and the semi-periphery – were stabilized around 1640, when most countries were divided into metropolitan countries and colonies. This is detailed in the works of Wallerstein I. (Wallerstein I. *The Modern World-System*. Vol. 1, 1974; Vol. 2, 1980; *The Capitalist World-Economy*, 1979) and his other works. Wallerstein uses the term "world-system" in the narrow sense, as a three-module world-economy, and in a broad sense, as a set of world economy and political structure consisting of the sovereign states included into the international system. [1-10]

## **3 Results and Discussion**

The development of a new development strategy for Russia presupposes the identification of factors that determine the opportunities for innovative development in the modern world. They are determined by the rate and quality of the social capital accumulation. The social capital accumulation means the expanded reproduction of the aggregate of physical, financial and human capital owned by public and private entities of the national economy, ensuring its sustainable development and increasing competitiveness in the world economy. Factors influencing the social capital accumulation in the world-system analysis include: the world-system status of the national economy, due to its belonging to the structural level of the world-system - the center, the periphery, the semi-periphery; phases of system accumulation cycles; phases of Kondratiev waves; macroeconomic policy and management; quality of the elite. For each single country, the state of its relations with the state-hegemon is important as well as the degree of competition between the countries in the block to which it belongs.

As a result of the reforms of the 1990s, Russia was reintegrated into the capitalist world-system according to the Washington Consensus model. This happened in the financial phase of the American system accumulation cycle. It is characterized by a crisis in the mode of extracting profits from production and trade and switching this process to a financial activity mode: mediation and speculation. It indicates the beginning of the crisis of the most dominant accumulation regime and the dominant of this cycle - the United States. In Russia, priority was given to: 1) the individual capital accumulation to the detriment of the social capital accumulation; 2) liberalization of foreign economic relations to the detriment of state regulation. The state macroeconomic policy was directed to these purposes. Russia acquired the world-system status of the semi-periphery. It has become involved in redistribution relations between the center and the periphery. We call their result the generation of world-system rent and the appropriation

of the world-system anti-rent. It manifests itself in leakage and capital deficit, increasing financial and technological dependence, etc. Peripheral processes - the limits of innovative development, the degradation of industry and science - began to concentrate in the Russian economy system. The lag of Russia behind the advanced technical level has increased for another 15 years in addition to the 10-15 year lag of the Soviet economy [16]. The goal of Russia's new development strategy should be the improvement of the level of positioning in the vertical world-system structure. In the national state system, the concentration of peripheral processes should be reduced.

The peripheral development is characterized by a negative synergetic effect arising in the process of interaction between the national economy and the world-system. In this regard, an important role in the new strategy of Russia belongs to the change in the performance of raw material regions, to which Kuzbass belongs. The peripheral character of the modern Russian economy is most clearly manifested in raw material regions. The liberalization of international trade and the elimination of the integrated industrial state policy led to an increase in exports of raw materials and products with low added value to the world market. At the same time, there was a sharp reduction in the use of this product by domestic manufacturers. This leads to the oppression of production in the country of products with high added value, the archaization of the industry structure and the growth of dependence on external supplies of material and financial resources. Internal relations in the national economy are being violated. The mining regions, like other raw material regions, become hotbeds of the national economy system segmentation, which reduces the potential and stability of its social and economic development.

The Kemerovo Region Zone is also a zone of concentration of peripheral processes. One of the world's largest Kuznetsk coal basin and the western part of the Kansk-Achinsk brown coal basin are located on its territory. According to the world-system analysis, the periphery is not backwardness in general, but the fulfillment of the special functions of the center "service", redistribution of a certain social surplus in its favor. The region accounts for 73% of the total coking coal reserves of the developed coal basins of Russia and more than 76% of the total Russian coking coal production. Most of the coals mined in the Kemerovo region can be used in coke and by-product industry and metallurgy, and by their characteristics they are much better than the average for the coal industry in Russia. The region is characterized by the highest density of population beyond the Urals, 87% of which is concentrated in cities built, mainly, in the Soviet era. The coal industry is completely under the control of private businesses. The interests of most leading Russian and some foreign companies producing energy and coking coal are focused on it. Ownership of coal assets is registered through a complex offshore network including Cyprus, Luxembourg, Virgin Islands (Britain), etc. The high level of the Kuzbass coal industry concentration is connected with the policy pursued by the authorities of the region in the process of privatization. The list of the richest Russians included 17 entrepreneurs born in Kuzbass or associated with mining and smelting business.

Export traditionally significantly exceeds import in the region. Since the beginning of the 1990s, there has been a steady decline in demand for coal in the domestic market in Russia. At the same time, from the geographical point of view, the location of Kuzbass for export is very unprofitable. Kuzbass coal is transported throughout the country to the distances which are unprecedented for the world practice of coal trade. Generation of world-system rent in connection with the intensive export specialization of the coal industry is manifested in the leakage, including through offshore system, and the exchange of non-renewable natural resources for products that under other economic policies could be produced by national enterprises. The main suppliers of equipment and machinery for the Kuzbass coal industry are the world's engineering corporations, using associated loans. Own machine-building production, not receiving orders and financial investments, is

stagnating. A weak ruble is important for coal exports. At the same time, a weak ruble adversely affects the production of technically complex products with a high component of foreign components.

In coal production, in full accordance with the theory of Arrighi G. and Drangel J., "peripheral capital" operates in lower components of global commodity chains where competition is high and is content with a relatively low share of global profits. Russia is the third largest supplier of coal for export after Australia and Indonesia. It should be recalled that coal, for all its demand in the energy industry of a number of countries, is the dominant resource of the British system cycle that ended in the first quarter of the 20th century. It is far from the list of innovative products. Coal is the most problematic in terms of climate change among fossil fuels. Coal production is a material-intensive and capital-intensive type of economic activity; working conditions in it are heavy, harmful and traumatic. Coal mining is associated with major accidents and high environmental risks, provoking social tension. Export makes the coal business extremely dependent on the world market conjuncture. In the global coal supply and the formation of world coal prices, a key role is played by five countries that provide 70-80% of exports: Australia, Indonesia, Russia, China and South Africa. Prices for coal are very volatile. Only for the second half of 2016, prices for energy coal doubled, and prices for coking coal increased three-fold. This was facilitated by a reduction in coal production in the US and China. In addition, there were bad weather conditions in Europe, as well as problems at nuclear power plants in France. As a consequence, there was low generation of alternative energy. The rainy season in Indonesia and the strikes in mines in Australia have affected. Before this jump, there was a significant decline in coal prices since 2011. The largest importers of coal in the Asian market are Japan, South Korea, India and Taiwan, and in the European market - Germany and the United Kingdom. On the external market, the main Kuzbass coal producers compete hard both among themselves and with colleagues from other countries. Domestic coal is sold approximately 10% cheaper than in Australia and South Africa. Russian manufacturers do not pursue maximum prices, but seek to sell as much as possible.

Peripheralization of industrial development is accompanied by deterioration of social indicators of the region. The Kemerovo region has become one of the leaders of the decline in the living standard of the population not only in Siberia, but also in Russia as a whole. Simultaneously with the rapid and significant drop in the living standard of the population, the region's credit is increasing. There is a tendency to obtain the status of "squared periphery". In accordance with the approach of Franc A.G. strengthening the region's specialization on raw materials export will help to intensify peripheral processes and increase lagging. The way out is to increase the use of raw materials in the domestic market for the production of products with a high share of added value and their export.

A negative symbiosis of the "peripheral capital" marked by Arrighi G. and Drangel J. and the "peripheral state" described by Wallerstein I. manifests itself in the Kuzbass coal industry. For example, the value of the transport component in the price of Kuzbass coal could be reduced by establishing preferential long-term railway tariffs for coal transportation. However, the state development strategy of Russia since the 1990s is based on the neoclassical doctrine of "free market". This doctrine negatively concerns the practice of protectionist measures and government intervention in the real economy as a whole. As a result, Russia's economy is a champion in terms of liberalization. Commitment to the principles of free market is reflected in the provision of the real economy with domestic financial resources. Until now, the problem of domestic "long money" for domestic producers has not been solved. The rate is made on the inflow of foreign investment. However, the financial phase of the American system cycle stimulates the flow of money into the sphere of financial speculation. The policy of the US sanctions, which is supported

by other countries of the center, turns free market into a fiction and does not allow counting only on successful international production and investment cooperation.

## 4 Conclusion

The established theoretical basis allowed us to identify the following conceptual bases of the development strategy for Kuzbass. 1. The change in the Kuzbass performance model is efficient only in the framework of the change in the Russian economy model as a whole. 2. The task of the state is to move the country to the upper layers of its structural block, increasing the core component and reducing the peripheral component. 3. State industrial, fiscal and monetary policy must be subordinated to the objective of improving the real economy due to the innovative production growth in it. 4. Liberalization and commercialization should be reduced in economic management. 5. It is necessary to increase the share of the use of resources of Kuzbass and other raw material regions in the intra-country differentiation of labor and the development of the internal market in order to reduce the segmentation of the economy and increase its development potential. 6. It is advisable to take measures to diversify the region's economy and create a large-scale center for advanced coal processing.

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