

Modern Trends in the Transformation of the World Economy

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Abstract

The article describes the most significant, from the author's point of view, trends reflecting the development of the global socio-economic system. The focus is on globalization and its third stage – digital globalization. The next trend is lean consumption based on the model of the economy of shared consumption. Joint innovations, on the one hand, integrating the capabilities of various economic entities, creating new values, and on the other hand, having a destructive impact on traditional spheres of economic activity, are singled out as an independent trend of socio-economic development. Accelerated changes taking place in various fields of activity under the pressure of the flow of innovations are noted. Finally, social transformation, which is expressed in cardinal changes in the parameters of the social environment and its internal relations, is also a modern trend of transformation of the world economic system.

Keywords: Socio-Economic Development, Digital Globalization, Collaborative Innovations, Social Transformation.

Introduction

The period that all of humanity is currently going through is undoubtedly complex, largely uncertain, and poorly predictable. However, it is obvious that a change of epochs is taking place now. Technological changes, accumulating, lead to a radical transformation of the entire socio-economic reality. The new world opens up to humanity not only new opportunities but also generates previously unknown risks and challenges. That is why the ability to recognize new development trends, grasp the essence of the changes taking place, and adapt to them in real-time will allow being competitive and successful in the new world order.

This article presents the most important trends of socio-economic development from the point of view of the authors, which cause a profound transformation of the entire global socio-economic system:

firstly, digital globalization, which is closely related to the transformation of the world economy, the shift of the centers of value creation into the sphere of using digital resources and building digital processes;

secondly, lean consumption, aimed at preserving resources with extracting the greatest benefit from them, meeting needs at the lowest cost, environmental friendliness of the functioning of economic systems;

thirdly, the development of a new form of business cooperation – collaborative innovations and active use of network effects on a global scale;

fourth, the acceleration of changes taking place in various spheres of production and economic activity of people under the pressure of the flow of innovations, and the manifestation of the phenomenon of serial technological entrepreneurship;
fifthly, cardinal changes in the social sphere, opening up new opportunities for development and self-realization, but at the same time bearing challenges and threats, due to the displacement of a person by digital technologies and the reformatting of all spheres of his life.

Thus, modern global trends in socio-economic development are radically changing our lives, on the one hand, opening up many opportunities for humanity, and on the other hand, carrying challenges and risks that already need to be comprehended in order to be ready to overcome them in the process of building a society of the future.

The methodological basis of this study was made up of empirical, statistical methods, as well as methods of comparative analysis and expert interview.

The first trend is the further globalization of the economy. Globalization is expressed in the development of transnational corporations, accelerated urbanization and the growth of the urban population, the intensification of migration processes, the withdrawal of industries by developed countries to third world countries, etc. Because of globalization, the world is becoming increasingly interconnected and interdependent. The most important process of globalization is regionalization, which has a powerful cumulative effect on the formation of the world poles of socio-economic, political, and technological development. The process of globalization has accelerated in recent decades, turning labor markets, capital, various goods and services into an integrated network. A single international market and information space are being formed, in which an increasingly significant role is being given to consumers of goods and services. The result of the ongoing processes is the formation of a network economy, the existence of which is based on direct connections between the participants of joint activities that are formed for a long period. The existence of a network economy is possible only on the Internet, which creates an appropriate information and communication environment.

Thus, a feature of globalization and its generating mechanism at the turn of the XX-XX I centuries was the process of the emergence and spread of the Internet. Today we are talking about the third stage of globalization, called digital globalization, which is closely related to the digital transformation of the economy. At the same time, there are not just digital transformations of individual economic processes; there are fundamental changes in the structure of the economy. The centers of value creation are moving into the sphere of using digital resources and building digital processes, strengthening the virtualization of the economy and giving rise to its new form - the digital economy, which is based on block chain technologies, big data, cloud technologies, 3D printers, cyber-physical systems that implement a new approach to the integration of production and consumption - industry 4.0.

We can assume that since 2010 globalization has entered a fundamentally new, digital phase. At the same time, traditional globalization is experiencing stagnation, giving way to digital globalization.

There are several trends in the development of digital globalization.

1) The increasing influence of information and data flows on economic development.

Instead of flows of goods, digital flows of virtual goods and information are playing an increasingly active role in economic development, which are now of greater economic value and have a greater impact on GDP growth than traditional international trade and cross-border capital movement.

We can mention some indicators reflecting this trend in the development of the world economy. At the beginning of 2021, the number of Facebook and YouTube users was 2.74 and 2.29 billion people, respectively, 53% of the world's population (about 4.2 billion people) used social networks around the world (Global Overview Report, 2021). Over the past 20 years, the number of active Internet users has grown 18 times, reaching 4.66 billion people in 2021. Today, 5.22 billion people use a mobile phone (more than 85% of the total population of the Earth aged 13 years and older). Over the past year, the speed of a fixed Internet connection has increased by 31.1% (96.43 MB/s), and the average mobile connection speed has increased by 47.5% (47.20 MB/s). These data are given in the book by G.G. Golovenchik (2019).

According to forecasts, by 2023 there will be 5.3 billion network users in the world (66% of the world population), 3.6 network devices per capita, the average speed of fixed broadband access will be 110 MB/s; the total number of global mobile subscribers will grow to 5.7 billion (71% of the population), the total number of mobile devices will increase to 13.1 billion units, and 1.4 billion of them will be able to work on 5G technology, promising a new quality not only of communications but also of the entire digitalization of society (Cisco, 2021).

2) A rapid increase in immaterial flows of virtual goods and services.

Digital globalization has created a new type of product - virtual goods and services, the market of which is constantly increasing. Thus, according to forecasts, revenue in the digital media market in 2021 will amount to 292.4 billion US dollars (Gartner, 2021).

The digital financial services market is developing rapidly. The total value of transactions in the digital payments segment will reach \$6,685.1 billion in 2021 and \$10,520.2 billion in 2025 (Statista, 2021).

3) Significant growth of e-commerce through international digital marketplaces.

Currently, more than 50% of the world's trade services are provided in digital format. The COVID-19 pandemic also contributed to the development of e-commerce. Only during the pandemic, the growth of e-commerce amounted to about 17% with a volume of \$4.13 trillion (Statista, 2021). Global marketplace companies such as Alibaba, Amazon, ASOS, eBay, Flipkart, JD, PayPal, Yandex.Market, Wildberries, Lamoda, and a number of others have provided consumers with access to global commodity markets. According to forecasts in the next five years, the average annual growth rate of the e-commerce market will be more than 11% (Research and Markets, 2021).

4) Increasing the importance of digital infrastructure.

Digital infrastructure includes software, cable, and fiber-optic trunks, data centers for storing, processing, and transmitting huge amounts of information. The market of information services related to the maintenance of digital infrastructure is developing vigorously. In 2020, the global volume of IT services amounted to \$1.012 trillion; in 2021, it should grow to \$1.072 trillion, in 2022 - to \$1.140 trillion (Cisco, 2021).

5) Strengthening the role of small and medium-sized businesses.

There is a significant growth of small and medium-sized businesses in digital globalization. It happens mainly in areas that do not require significant capital investments. Many such enterprises have appeared in science-intensive and high-tech industries. Broad prospects are opening up for small businesses related to the availability of global information flows, the effective use of digital platforms that provide online interaction.

6) Increased exchanges of free content and services.

The widespread Internet has provided mostly free access to information, virtual goods, and services from around the world. Free scientific and statistical information from foreign sources has become available. Free content attracts a mass consumer audience, and digital advertising on free Internet resources brings a good income.

7) The spread of cryptocurrencies.

In the last decade, the financial market of crypto assets used as means of payment, savings, and investment has emerged and increased in size at a tremendous rate. The total capitalization of the cryptocurrency market has grown more than 90 times over the past five years, amounting to \$1,764.3 billion in February 2021 (of which \$1,085.3 billion accounted for bitcoin) (Cisco, 2021). At the same time, cryptocurrencies do not yet pose a serious threat to the global financial system due to the relatively small scale of the market and the daily volume of transactions, although their share in the total money supply is rapidly increasing. Nevertheless, cryptocurrencies, moving freely from country to country, are beginning to play a significant role both in money circulation and in settlements, offering an easy-to-use digital alternative to fiat currencies.

8) The transfer of employees to remote work and the involvement of temporary employees.

The coronavirus pandemic has given a new impetus to the digitalization of society, forcing employers to transfer millions of employees worldwide to remote work. Programs such as Zoom, Teams, Skype, Cisco WebEx, and Discord provide a painless transition to online meetings and training. As a result, the costs of maintaining offices and support staff are minimized, the time for moving employees from home to work and back is reduced, the working regime is changing. For full participation in production processes, people with disabilities and people with additional social responsibilities receive. In general, all business processes are changing.

The second megatrend that researchers of trends in the development of the digital economy pay attention to is lean consumption.

For several decades, attention has been focused on the development of lean manufacturing. Now the focus is on lean consumption, which is based on a model called the "economy of shared consumption". This model is based on the principle of "access to use, not possession" of any good – real estate, equipment, vehicle, information resources, etc.

There is a rapid growth of business based on the P2P model – "Peer-to-Peer" ("from user to user"). If we consider this model in the context of Internet business, then its essence is to help interested people find each other.

The concept of lean consumption contains the idea of simultaneously ensuring cost reduction and improving the quality of goods and services. The model fits into the trend of transition from mass production of the same type of goods and services

to individualized production and personalized consumption. However, the P2P market is still at an early stage of development and its growth will continue for a long period. Examples of successful P2P projects are Airbnb, Zopa, HappyDesk, eBay, Avito, Kickstarter, Uber, Yandex Taxi, and many others.

The third trend of modern changes reflecting the development of a new form of business cooperation became possible due to the avalanche-like appearance of innovations and their disruptive (breaking the usual ideas) affect as well as due to the digitalization of the economy is collaborative innovation. Collaborative innovations are based on the integration of the capabilities of various economic entities in order to create new values. The derivatives of such collaboration are new forms of business, technologies, products, etc.

The President of the World Economic Forum in Davos Klaus Schwab (2016), speaking about the Fourth industrial revolution, notes that its uniqueness "in addition to the rate of development and wide coverage lies in the growing harmonization and integration of a large number of different scientific disciplines and discoveries". In fact, fundamental changes are taking place affecting socio-economic and political systems. Individual companies and entire industries no longer face the question of whether there will be a disruptive breakthrough in their field of activity. There is no doubt that it will happen. The question is when this breakthrough will take place, in what form it will take place, and what impact it will have on industries or individual companies.

During the third industrial revolution, a platform-based method of business organization emerged (this was already mentioned above). The fourth industrial revolution was marked by the development of global platforms. The active use of network effects on a global scale ensures huge profits due to the use of network effects, a better understanding of customer preferences, and ensuring high customer loyalty.

It is impossible to ignore another technology that has become widespread now - the blockchain (blockchain system). As defined by T. Laurence (2017), blockchain is a shared, immutable registry for recording transactions and for keeping records of any assets (values) in the business network. The use of blockchain allows you to reduce the risks and costs incurred by interested parties. Blockchain provides participants with instant and completely transparent access to information in the registry. A distinctive feature of blockchain compared to traditional technologies is decentralization, which accelerates the erasure of borders between countries and contributes to the emergence of a huge number of multinational companies.

The fourth trend reflects accelerated changes taking place in various spheres of industrial activity and people's everyday life because of digitalization and the innovative development of the economy. Changes occur under the pressure of the flow of innovations that transform technologies, products, and services, as well as the business models used by companies. The time for introducing new products to the market is continuously shortened, competition is intensifying, and new business models are constantly emerging, displacing those that have proved insufficiently effective in the new economic conditions.

The fourth industrial revolution is caused by the nonlinear (exponential) speed of the spread of innovations, the gigantic spread of digital technologies, and their penetration into all spheres of human activity. Under the influence of the ongoing processes, large-scale changes are taking place in people's way of thinking, their economic behavior. The entire economic mechanism is being transformed.

Despite the fact that the deep foundations of the market mechanism as a whole remain the same, the emphasis is increasingly shifted to the problems of customers (consumers). It is their solutions and their customer experience that become a source of profit. Work with buyers of goods and services is becoming more and more individualized. Digital technologies allow saving on transaction costs, reducing them to zero. However, competition is moving from the sphere of reducing production costs and selling products to the sphere of creativity. Often, competitors turn into partners when using digital platforms together. Another effect of accelerating changes is the shortening of the life cycle not only of goods and services but also of the companies themselves that produce them. For example, the Standard& Poor's 500 ratings indicated a reduction in the life span of large companies - from 60 to 18 years (more than 3 times). At the same time, digital technologies open up new opportunities for the competitive breakthrough of new market players.

Thus, in order to stay afloat, companies must be innovative, constantly changing, and rebuilding.

Finally, fifth global trend that cannot be overlooked is social transformation. The fact is that technological transformations cause drastic changes in the social sphere. There are qualitative changes in the parameters of the social environment and its internal connections. Moreover, as the researchers E.S. Sadovaya, V.A. Sautkina, A.R. Zenkov (2019) note, the changes acquire a "self-reinforcing character" that prevents the system from returning to its original state. This means the failure of many social mechanisms in the new economic conditions. Proponents of the theories of the post-industrial (information) society believed that the new society would allow humanity to get rid of heavy, routine, and uninteresting work. Such a society opens up opportunities for creativity, continuous development, and self-realization. However, in reality, the modern economy increasingly carries challenges, transforming the spheres of human activity. Unfortunately, the advantages of the digital economy mentioned above can turn into threats, replacing people in the field of production and distribution.

Of course, a high-tech economy will not be completely "deserted". At the same time, the widespread "platform employment", work "on-demand" cannot be stable and of high quality. The development of technology leads to a decrease in demand even for highly skilled labor, as well as to an increase in competition in lower-quality jobs. There is a disqualification of the workforce. More and more people, especially young and ambitious, with a high level of education, unable to get a stable job, become bloggers, TikTokers, life coaches, trying to monetize their knowledge and skills through social networks.

Another important point that cannot be ignored is that market relations are increasingly penetrating the social sphere all over the world, spreading the effect of market laws - reducing costs, increasing profits. The transfer of the social sphere to market rails "not only modifies reality but also radically transforms it, turning it into its opposite" (E.S. Sadovaya, V.A. Sautkina, 2015). The technologies of "augmented, mixed, virtual reality" make it difficult for a person to understand the processes taking place in reality, fragment the social space, and create conditions for the erosion of traditional values and manipulation of mass consciousness.

So, the current trends that the authors of the article pay attention to are already quite clearly emerging at the current stage of the development of the world economic system, but it is not yet clear what they can ultimately lead to, what mechanisms of socio-economic transformation will trigger and how individual economies and countries can accommodate to these trends without remaining on the sidelines of world development. The uneven global dynamics lead to the identification of leading countries that are already not just embedded in trends but are forming them. Therefore, it is extremely important for countries implementing catch-up development not to miss the ongoing processes, having studied and understood them in a timely manner.

The current stage of transformation of the global economic system has been aggravated by the coronavirus pandemic, making its own adjustments to the global dynamics, on the one hand, increasing risks, and on the other hand, giving speed to the changes taking place. However, despite the seemingly radical shifts in the foundations of modern society and its comprehensive informatization, the imperatives of the capitalist system remain unchanged. Understanding this was the result of the analytical work done. Therefore, it is advisable to conduct further studies of socio-economic dynamics through the prism of a deep transformation affecting the foundations of the market mechanism.

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