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## **SOCIAL NOVELTIES AND SOCIAL SCIENCES**



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## Introducing the issue

This English language version of the “Social Innovations and Social Sciences” journal offers our readers articles on the consumer society. Our Russian language journal has been covering this topic for three years, focusing on various aspects of this worldwide phenomenon such as history and culture of consumerism, function and the role of consumption, service economy, consumers’ rights and attitudes in different countries, informed consumption, and many others. Consumer society still remains a field of debate: the questions of where it is heading and where it may lead humanity are still relevant. A great deal of attention is being paid to the emergence of new forms of economic activity associated with the consumer society. Describing them, making sense of them and providing expert assessment is an urgent task for modern science. The Editorial Board has selected several articles for translation into English in order to make these studies available to a wider audience outside Russia. All of the selected articles were published in 2020–2021, so many of them quite predictably address or directly analyse the COVID-19 pandemic situation and its impact on consumption.

The issue opens with the section “**The space of discourse**”, and an in-depth overview by *M. Polozhikhina* on consumer society which highlights various aspects of this multifaceted phenomenon. The author looks at the evolution of both the consumer society itself and its theorisation. The title of the article mentions two iconic figures that mark chronological milestones in the development of the consumer society. Jackie Kennedy-Onassis, trendsetter and symbol of 1960s social chic, and young Greta Thunberg, who since the 2010s has spoken out against the mindless consumption that is destroying our planet, both symbolize the journey that human civilization has made in a relatively short period of time.

The articles in the “**Point of view**” section criticize modern consumer society while at the same time suggesting corrective measures, in particular new attitudes to the demand and supply. The circular economy and the on-going debate around the subject are the main topics of the article by *S. Kodaneva*. The author shows the advantages of the circular economy over the existing linear economy model stressing the need to fundamentally change consumption patterns. The role of the academic community, which in cooperation with the state would be able to ensure the transition to a circular economy, seems to her to be extremely important.

The article by *V. Petushkova* describes the history and current situation in the equestrian sport in Russia. Equestrian sport, one of the five most expensive disciplines, has inevitably undergone commer-

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cialization after the state was withdrawn in the post-Soviet Russia. The author discusses pros and cons of commercialization, stressing that no unequivocal conclusions are possible here.

The “**Yesterday and today**” section includes articles on the consumer society in Russia. *E. Osipova* covers the history of the creation of a national consumer protection system in Russia in the 1990s. The author examines both the regulatory and legislative framework and the measures taken to set up the system at the federal, regional and municipal levels. *G.Semeko's* article provides a detailed analysis of consumer lending in Russia. The author assesses the problems and risks leading to a debt-based consumption model by looking at types of consumer credit, including microloans, and factors for its expansion. The author also dwells on the pandemic situation, which has had a “sobering” effect on many consumers. The last article in the section is a study by *S. Smirnov* on the impact of the COVID-19 pandemic on the Russian consumer market in the first months of 2020.

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# THE SPACE OF DISCOURSE

## EVOLUTION OF THE CONSUMER SOCIETY: FROM JACQUELINE KENNEDY TO GRETA THUNBERG



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**Summary.** *The socio-economic foundations of the consumer society, its emergence and development, theoretical approaches to understanding this phenomenon are considered. The changes in economic activity, the evolution of economic needs and the current trends in the transformation of the consumer society are analyzed.*

**Keywords:** *human needs; consumption; consumer society; theoretical concepts; areas of economic activity; development trends.*

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## **Introduction**

Needs are a natural manifestation of the functioning human body. According to one of the most common definitions, it is an internal psychological or functional feeling of deficiency of something (need), which manifests itself depending on situational factors. Need satisfaction (in other words, consumption), sometimes through the acquisition or use of various goods, is in a certain sense identical to human life. At the same time, as some needs are satisfied, a person acquires others, so the needs of an individual are unlimited. Consumption requires purposeful activity, therefore needs act as the main stimulus for human activity, and the evolution of needs drives socio-economic development.

Human needs have not only direct but also reverse links with economic activity, and consumption is an integral part of the economy and the social sphere. However, “consumer society”, i.e. social relations based on mass consumption of individual goods and corresponding system of values, emerges only in the middle of the 20th century. Since that time, humanity (more precisely, a significant part of it) has moved from survival to the possibility of choosing a consumption model, from the primacy of physiological needs to social priorities in consumption.

It should be noted that different groups of the population (strata, classes, nationalities) have always differed in consumption patterns, i.e. in styles of clothing, housing, food, leisure, etc. Initially, various economic and social factors, primarily low production of material goods, seriously limited the individual choice. When the society achieved the stage of overproduction, the variety of consumption options has greatly expanded and consumption acquired social significance as a tool for constructing identity.

The growing consumer society and the abundant consumption of all kinds of goods on a global scale began to be associated with resolving all problems of capitalism and the creation of the welfare state<sup>1</sup>. However, it is not that simple. Social inequality persists, and the economic development is hampered by insufficient natural resources. In connection with the existing contradictions, restrictions and slowdown in economic growth, the question arises about the prospects for the consumer society.

Being the most important component of human life, needs and consumption have always remained in focus to scientists and researchers. To date, there are many different points of view on the forms of the consumer society, the nature of needs, the functions and role of consumption. Even ancient philosophers reached a certain understanding of human needs and formulated different approaches to them: hedonism,

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<sup>1</sup> A model of a welfare state with redistribution of resources (primarily financial) from the classical beneficiaries of the capitalist system in favor of broad social strata. As a result, their access to education and healthcare expands, a pension system emerges, and so on [Kurennoi, 2015].

asceticism, stoicism. Attitude to human needs is part of religious ethics, including Christian ethics, which regulates consumption patterns quite strictly.

Initially, scientific approaches to consumption were developed within the framework of economic disciplines, later priority was given to sociological research. Interest on the part of scientists to consumption and human needs has increased since the beginning of the 20th century. Currently, consumption is studied by multiple disciplines. There is a certain integration of scientific views on consumption at the theoretical (for example, in sociology of consumption and management theory) and practical levels (in connection with the development of advertising and marketing). However, many questions still remain open. In this regard, the study of modern forms of consumer society, as well as trends and changes in long-term and short-term socio-economic context, which is the purpose of this work, is relevant and useful in both scientific and practical sense.

### **Socio-economic foundations of emergence and development**

Consumer society emerged due to some socio-economic factors, primarily the growth of production, as well as growth of income for a significant part of the population over the survival level (expansion of the so-called middle class).

The industrial revolution in the middle of the 19th century served as a prerequisite for the emergence of a consumer society. As the scale of production sharply increased, it became vital to profitably sell the produce. At the beginning of the XX century, new approaches to selling and attracting buyers are spreading, including advertising (which turns from a link between a buyer and a seller into a seller of goods) and new models of business and corporate governance.

The society with excess production and inevitable competition, as well as the corresponding consumption, took shape in the United States in the 1950s – due to the specific socio-economic and political-ideological conditions of the post-war period. In the 1960s, it spread to European countries and further to other regions of the world.

The consumer society is based on the marketing revolution in business and the revolution in trade culture (the appearance of supermarkets, shopping centers, etc.) [Kurennoi, 2015]. It suggests the construction of individual identities and lifestyles with the help of consumer symbols. In this social context, advertising, mastering and adapting new communication tools, turns from a “driver of trade” into a “driver of progress”.

Consumerism has a positive effect on the economy in the following areas:

- the consumer can make an informed choice between manufacturers of similar products, which stimulates competition and innovation;
- the consumer’s interests are protected (by various institutions), which helps improve quality of goods and services;

- changing needs and demand create new markets and thereby contribute to the development of manufacturing;
- analysis of needs and consumption helps to reduce business risks (trade and production).

The realities of the consumer society turned out to be more attractive than the communist utopia and globally dominated public discourse by the beginning of the 21st century.

However, the economy of overproduction needs a culture of overconsumption. With the onset of the consumer era, the everyday culture of classical capitalism (philistinism, Protestant ethics and savings models) transforms into modern consumerism, based on the principle of wastefulness and the “insatiable” consumer model. The behavior of buyers changes radically: shopping as a form of leisure becomes more and more important [Il’in, 2005, p. 5–7]. The very concept of consumption transforms: things are thrown away, not repaired [Kurennoi, 2015], and natural needs develop into artificial ones. Manipulations to attract buyers (through advertising, marketing, mass media, etc.) form a specific real-virtual game space with a set of codes, in which consumption plays an exclusive, sometimes symbolic function [Lantsev, 2013, p. 7]. The main form of freedom in the consumer society is the freedom of consumer choice with its wide variety and solvency, which allows to consume not only the “brilliance of shop windows” [Il’in, 2005, p. 8]. It is good to remember that the consumer society has many manifestations.

### **Contemporary forms**

Consumer society is most often associated with conspicuous consumption, but it is not limited to this.

*Conspicuous consumption and luxury economy.* Conspicuous consumption is ostentatious (deliberate), prestige or status purchase, primarily of luxury goods. There is no single definition of luxury. The following is proposed as one of the most general: a luxury item (or a luxury product, premium product, luxuries) is understood as a product (goods, service) that has a set of unique characteristics, the consumption and possession of which distinguishes a person from the general mass or is perceived as a status item [Zhuravleva, Degtiareva, 2013, p. 50].

At the same time, luxury is a relative concept that changes over time, as well as in territorial and social contexts [Zhuravleva, Degtiareva, 2013, p. 50, 54]. The craving for luxury has long accompanied the progress of mankind – it can be considered a factor in the evolution of production [Minaev, 2018], science and culture.

It is believed that luxury consumption is influenced by the following factors: 1) economic (indicator of a high income); 2) social (indicator of status and belonging to a particular social group); 3) moral (achieving satisfaction from public attention); 4) psychological (manifestation of self-realization, gaining self-confidence or fame, attracting attention); 5) hedonistic (causes feelings of pleasure and joy); 6) aesthetic (corresponds to ideas about beauty, quality, style, etc.) [Andreeva, Marmi, 2012, p. 109–110]. Con-

spicuous consumption manifests itself both in the quality of prestigious items and in their quantity [Volia, 2008, p. 34]. Accordingly, conspicuous consumption can be divided into several types: collecting, hobby, status and imitation.

According to experts, conspicuous consumption is characteristic of all strata of society. This is not a disease of individuals, but a cultural norm that dictates inherently irrational behavior. Ostentatious consumption primarily drives representatives of the middle class. Also, conspicuous consumption is most clearly manifested during periods of initial accumulation of capital, when the new rich appear (from the French “nouveau riches”) [Ibid.].

Fashion and glossy magazines (photography), the film industry (Hollywood), and, later, television created the modern benchmarks for the consumer society and ensured their rapid spread around the world. A symbolic example here is Jacqueline Kennedy – “the American style icon”. On the one hand, she caused admiration and a wave of imitations, on the other hand, she was criticized for wastefulness and unbridled desire for acquisition.

The culture of conspicuous consumption creates a certain demand in the market and thereby stimulates the development of certain areas of economic activity. Today, the luxury industry is one of the important components of the world economy, which includes entire sectors of light industry, services, transport engineering, etc. Fashionable clothing is the largest segment in the global sales of luxury goods. Perfume and cosmetics is the second largest. This is followed by jewelry and watches, leather goods and accessories, gifts and other goods produced by well-known luxury brands [Zhuravleva, Degtiareva, 2013, p. 50].

With growing incomes of the population and the number of millionaires, revenue in the global luxury goods market tripled from 1995 to 2015, exceeding one trillion euros (in 2014 – 850 billion euros) [Chechnik, 2018, p. 1315]. During this period a stable annual growth of about 10% was observed (with the exception of 2002 and 2009). However in recent years the growth rates have decreased [Zhuravleva, Degtiareva, 2013, p. 50–51; Minaev, 2018]. In 2019, luxury market grew by only 4%, increasing to about 1,3 trillion euros [Kelekeiev, 2019].

Residents of the United States and European countries remain the largest consumers of luxury goods. At the same time, in the US market, European brands consistently dominate over national brands. The growth in consumption of luxury goods in Asian countries, primarily in China and India, came as a real breakthrough in the mid-2000s [Volia, 2008, p. 35]. It should be said that the saturation of needs in different consumer segments is uneven [Zhuravleva, Degtiareva, 2013, p. 54]. The current growth leaders are footwear and jewelry, while the watch market is experiencing a decline [Kelekeiev, 2019]. An exceptional role in the luxury goods market is played by the brand. Brand underlines the uniqueness of the product and creates high entry barriers for new players. For example, the average selling price of goods by the Gucci holding is four times higher than their cost [Volia, 2008, p. 35].

The new economic reality is forcing sellers of luxury goods to reduce prices and attract customers with new marketing techniques [Badoev, Zaseva, 2017, p. 196]. Online trading is gaining popularity [Chechnik, 2018, p. 1321]. There appeared many blogs, communities and closed groups dedicated to fashion, branded products and luxury consumption [Andreeva, Marmi, 2012, p. 110].

According to forecasts, luxury goods manufacturers should focus on “generation Y / millennium<sup>1</sup>” and consumers from China. In future, representatives of the younger generation Z<sup>2</sup> will become the main buyers in this market [Kelekeiev, 2019]. In a society with a large middle class, the symbolic game becomes more complex and fragmented [Kurennoi, 2015], consumption is segmented and customized (i.e., individualized), thereby the consumer society is modernized.

*The economy of impressions.* As the number of competitors in the markets increases and the total supply of goods and services grows, personal impressions begin to play an increasingly important role in consumer preferences [Zainullina, 2017, p. 72]. Therefore a whole industry of impressions and entertainment has emerged and become part of the modern consumer society.

The experience (entertainment) industry currently includes such traditional activities as museums, theaters, cinemas, zoos, as well as tourism, hospitality, restaurant business, beauty industry, etc. The classification of impressions is quite diverse and includes not only the usual entertainment, but also learning through entertainment. There are many examples of impressions used as an effective tool for promoting products and services in the modern world, ranging from theme parks (Disneylands, water parks, climbing walls, panda parks, etc.) to toy stores, perfumeries and candy shops [Zainullina, 2017, p. 72].

The experience economy usually integrates different types of activities. For instance, in recent years, various entertainment centers have become widespread, where shopping and public catering are offered as additional (value-added) services. And shopping and entertainment complexes are increasingly pushing traditional shops and supermarkets out of business. The range of active ways of promoting impressions is also expanding, including the ever more popular master classes (for example, culinary) and various quests. Museum activities are being updated – through the organization of theatrical tours and online tours, interactive exhibitions.

One example of the experience economy is the transformation of tourism in the 20th century from an elite to common recreation (primarily for the population of urbanized developed countries). In the first half of the century, tourism was hampered by the poverty of the population, the lack of paid holidays and political instability. Improvements in lifestyle, as well as the progress in road and air transport created the modern form of tourism in the second half of the 20th century. By the 1970s, an entire leisure (hospital-

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<sup>1</sup> The generation born in the 1980s and 1990s who entered the new millennium at a young age.

<sup>2</sup> The generation born around 2000–2017 and considered the first truly digital generation, the generation of globalization and postmodernism.

ity) industry had formed with its own institutions, products, production cycle and related industries, methods of organization and management.

The modern experience economy is closely related to event marketing. The expansion of excursion activities included in tourist services is accompanied by the opening of historical, cultural and natural history monuments, museums and exhibitions. The development of tourism stimulates manufacture of souvenirs, supports folk crafts, changes hotel business for the better [Zainullina, 2017, p. 74–75].

Another example of the experience economy is the increasing passive consumption of sports – “spectator sports” and the transformation of “high performance” sports into show business. Specialists note the emergence of several markets here: sports events held by clubs, federations, the Olympic Committee (Olympic Games, championships, tournaments, memorials, etc.); sports programs in the media (primarily on television); commercial sporting events (grand prix, etc.); sports sponsorship and advertising; clothes, footwear, accessories, special meals. In recent years, the sports industry has attracted significant financial resources and a large workforce. Increasing commercialization and professionalization of sports events, as well as intense competition for investments are the factors behind specialized sports economy and management [Litvin, 2015, p. 23, 24, 33].

Experts recognize that impressions (experience) are useful and therefore possess economic value that can be created and included in the cost of the product [Zainullina, 2017, p. 75]. Moreover, the development of the experience economy creates new activities, professions and jobs.

Despite the obvious success and global reach, the consumer society and the welfare state built on its basis in the late XX – early XXI century survived several socio-economic crises, which called for upgrading and revising their principles.

### **Limitations and controversies**

Threats to the existence of the consumer society due to depleting resources and irreversible ecological changes were formulated at the international level in the Report by the Club of Rome “The Limits to Growth” (1972).

Planetary resources are insufficient to provide every inhabitant of the Earth with material goods at the level of consumption of the “golden billion”<sup>1</sup>. According to the latest results of mathematical modeling of possible scenarios by Dennis Meadows, without a serious correction in the consumption of natural resources in the near future, the collapse of mankind (in one form or another – socio-economic, environmental, etc.) will likely occur during life of the current generation. According to his estimates, a global decline in the average standard of living starting from the 2020s is inevitable. In accordance with more

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<sup>1</sup> Approximate population with a high standard of living (from 10 to 100 thousand dollars a year) in the countries of the European Union, the USA, Canada, Japan, South Korea, Australia, New Zealand, Israel, Hong Kong and Singapore.

optimistic forecasts, theoretically (with the current level of technology and technology), our planet can feed a population of 8–12 billion people [Anikeev, 2019].

In 2020, the World Ecological Debt Day – when humanity exhausted the supply of natural resources that the planet reproduces in a year – occurred on August 22 (although due to the coronavirus pandemic, which led to a decrease in economic activity, resource overrun occurred by three weeks later than 2019). However, in general, humanity is consuming the Earth's resources faster and faster: in 1970, their deficit was only 2 days. Experts have calculated that now, in order to meet the global needs of the planet, it is necessary to “get better” by 60% [Daval, 2020].

In addition to environmental problems, the modern consumer society is characterized by growing physiological risks. Shopaholism is recognized as a mental illness (oniomania, from the Greek *onios* – for sale, *mania* – madness). Unlimited consumption leads to the spread of obesity, which has already become one of the main factors of non-communicable diseases in both developed and developing countries [Ozhirenie i izbytochnyi ves, 2020].

From the late 1980s, social and economic inequality began to grow in most countries of the world (which decreased in the 1950s-1970s). Between 1990 and 2015 in all (surveyed) countries, the share of the rich in total income has been steadily increasing, while in the 40% of the lower strata of society it has been declining. At present, almost all the global wealth is concentrated in the hands of one percent of the population [Neravenstvo ..., 2020].

State policy to limit consumption and mitigate social and environmental imbalances, improve the environmental situation is carried out in many countries (taxes on luxury, carbon tax<sup>1</sup>, etc.). However, the scale of the problems calls for radical changes in production and consumption patterns.

At the “grassroots” (individual) level, resistance to consumerism is also growing. On the one hand, due to the existing social inequality, a significant part of the population is economically unable to follow normative patterns. Not being full-fledged citizens of the consumer society, representatives of these strata are forced to reproduce the “outdated” practices of petty-bourgeois thrift and prudence. On the other hand, awareness of the many humanitarian problems that the consumer society generates leads to the emergence of ideology, culture and consumer practices that undermine the foundations of consumerism [Il'in, 2014, p. 14].

As it turns out, the consumer society thrives only when resources are cheap, inequality is tolerated, and environmental costs are neglected. Moreover, it needs a counterbalance in the form of an “economy of scarcity”. If it disappears, the consumer society becomes extremely unstable and prone to periodic crises with significant socio-economic costs.

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<sup>1</sup> A tax levied based on the carbon content of transport and energy fuels. The term is also used to refer to the equivalent carbon tax.

### **Looking for solutions**

Important conclusions about the nature and role of human needs were made in the works of ancient Greek philosophers (Democritus, Heraclitus, Plato). Ancient philosophers described several approaches to consumption: hedonism (Aristippus, Cyrenaics, Epicurus), asceticism (Diogenes, Cynics) and its softer form – stoicism (Zeno, Seneca).

Many ideas of ancient authors about human needs and consumption were further developed by Christian theologians (F. Aquinas, M. Luther, J. Calvin). In particular, asceticism influenced the formation of Christian morality and ideas about human freedom, expressed in the emergence of such forms as holy foolishness<sup>1</sup>, religious pilgrimage<sup>2</sup>, monasticism. Stoicism became the basis of Protestant ethics.

Attitude to human needs is an important part of religious ethics and is interpreted in accordance with the established system of values (concepts of good and evil, charitable and sinful way of life, the rationale of existence and the purpose of man). All world religions strictly regulate consumption, and some consumption models act as a marker of various religious teachings.

The modern secular ethics of consumerism was formed within the framework of the utilitarian philosophy in Europe (I. Bentham, J.S. Mill, Henry Sidgwick) and pragmatism in the USA (C. Pierce, W. James, D. Dewey) at the end of the XIXth century. It is based on hedonism as a way to maximize legitimate pleasures [Davydov, 2014].

Economists also studied consumption as a condition and prerequisite for the development of production. A number of fundamentally significant positions were substantiated within the classical (J. Locke, A. Smith), marxist and neoclassical (V. Pareto, L. von Mises, I. Fischer, J.M. Keynes, M. Friedman) theory [Volia, 2008, p. 34]. However, the range of issues under consideration remained rather limited (revenues, expenses, unemployment). Entire segments of human life (especially those related to leisure) were ignored [Kurennoi, 2015]. Most concepts focus on an idealized person who acts rationally and seeks to maximize personal utility or satisfaction (the so-called economic man, “homo economicus”).

At the end of XIX – beginning of XX century human needs and consumption started to interest sociologists. At first, they focused on the distribution of goods and the differentiation of living standards. Later the range of scenarios expanded.

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<sup>1</sup> In Orthodoxy, the holy fools are a layer of religious fanatics – beggars who intentionally seem stupid or insane. Their goals are to expose worldly values, as well as incur themselves insults and humiliations.

<sup>2</sup> A special way of life of a Russian Orthodox person, whose spiritual search (for the meaning of life, truth or God) was expressed in constant walking around the country. Renouncing everyday comfort, the wanderers are alms; spent the night where they could; had no possessions; prayed and performed spiritual songs.



A certain “breakthrough” in understanding human needs came in the A. Maslow's needs hierarchy theory<sup>1</sup> (physiological, social and psychological). Despite ongoing criticism and the lack of unequivocal empirical evidence, one cannot but recognize its enormous potential for interpreting research results.

Experts divide existing theories into three groups depending on the approach to consumption: a) as an indicator of social stratification (T. Veblen, G. Simmel, W. Sombart); b) as a principle on the basis of which the modern socio-economic system is built (J. Cato, J. Fourastié, J. Galbreit); c) as a symbolic function and means of communication (H. Marcuse, J. Deleuze, J. Baudrillard) [Lantsev, 2013, p. 12–15]. The works by John Kenneth Galbreit “Affluent Society” (1958) and Jean Baudrillard “Consumer Society” (1970) were the most significant contributions to the study of modern society.

J.K. Galbreit did not consider the continuous increase in material production to be the evidence of stable economy and the well-being of society. On the contrary, he saw the risks from such total dependence. To overcome it, the scientist proposed artificially reducing the consumption of certain goods (using taxation tools), as well as investing in the “development of people” [Galbraith J.K., 2018]. In turn, J. Baudrillard emphasized the lack of freedom of a modern citizen from all sorts of manipulations of consciousness (imposed desires), his endless compulsion to buy. The construction of reality by the forces of the mass media, He believed that mass media constructs reality to transform consumption, to turn it into a sphere of simulations with certain codes [Baudrillard J., 2006]. Both scientists justified the risks and limitations of the consumer society and, thus, stimulated interest in its problems on the part of representatives of various scientific disciplines (cultural studies, psychology, management theory, etc.). Currently, different opinions are being expressed about the prospects for a consumer society.

For example, Ronald Inglehart believes that the values in the consumer society naturally change as the risks to personal economic security in developed countries decrease. The scientist describes transition to “post-material” values, which does not lead to asceticism and rejection of capitalist principles, but a “transition from survival values to self-expression values” (in accordance with the post-industrial paradigm) [Lantsev, 2013, p. 31–32].

In 1974 Richard Easterlin published the results of his research. He stated that the absolute income growth does not lead to an increase in life satisfaction in the long term because of the “saturation effect”<sup>2</sup>. Thus, the average level of happiness does not change with the growth of GDP per capita in developed countries, although there is a decrease in the maximum deviation [Chinakova, 2016, p. 104–106, 107–108].

The increase in material well-being is not identical to an increase in the level of life satisfaction (or happiness), which is very subjective. Therefore, various attempts are being made to measure the latter. In

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<sup>1</sup> It was originally set out in the work “The Theory of Human Motivation” (1943), in more detail – in the book “Motivation and Personality” (1954).

<sup>2</sup> Although the positive effect of the relative increase in income persists.

2011, the UN General Assembly even adopted a resolution calling on countries to evaluate happiness of their people and use it as a benchmark in state policy.

The UN international survey, published since 2012, uses the following indicators to assess the level of “happiness” or satisfaction of the population with life around the world: GDP per capita, healthy life expectancy, social support, freedom of choice, generosity and perception of corruption; comparison with the worst examples or “dystopia” (defined by the level of trust in the government) [World Happiness Report, 2020]. Four of them characterize various aspects of the social environment. However, it should be recognized that any rise in happiness is impossible without achieving material well-being (according to the above-mentioned “pyramid” of needs by A. Maslow).

Some fundamental questions remain open: if economic growth is not the main recipe for happiness, then what will lead humanity to the desired state and what should economic policy focus on in order to increase the level of satisfaction among the population? [Chinakova, 2016, p. 113]. We can agree with the opinion that the consumer society is a dynamic system, and the resolution of contradictions within this system may ensure socio-economic progress [Lantsev, 2013, p. 35].

### **Model Adjustment**

Faced with global problems, the consumer society (according to J. Baudrillard) and the affluent society (according to J.K. Galbreit) are reoriented to new principles and criteria [Khusiainov, Urusova, 2017, p. 133]. The movement towards voluntary restriction in consumption starts [Lyman, 2018, p. 67].

*Responsible consumption – green and circular economy.* At the international level, the topic of responsible production and consumption has been discussed since the 1992 UN Conference on Environment and Development in Rio de Janeiro. In 1994, the following definition of “sustainable” (responsible, conscious) consumption was given: “the use of goods and services that respond to basic needs and bring a better quality of life, while minimizing the use of natural resources, toxic materials and emissions of waste and pollutants over the life cycle, so as not to jeopardise the needs of future generations”. The 2030 UN Agenda for Sustainable Development, approved in 2015, included the 12th global goal as “ensuring transition to sustainable consumption and production patterns” [Otvetstvennoe potreblenie, 2019, p. 8].

Experts distinguish between “weak” and “strong” sustainable consumption. “Weak” suggests that the demand for alternative (“green”) production stimulates development of new solutions and gradual replacement of goods on the market, changes in the economic model of the consumer society. “Strong” sustainable consumption shifts the focus to the availability of resources on Earth and how these resources are distributed among the population. Among the most debated issues are the minimalism movement, volunteering, vegetarianism and veganism, green cities, etc. [Otvetstvennoe potreblenie, 2019, p. 9–10].

The UN reports set out the directions to follow in order to reverse the catastrophic trends associated with human activities: reducing greenhouse gas emissions, phasing out fossil fuels, a dramatic change in

the model of agrifood production. In this regard, the development of “green” economy is gaining more and more support.

According to UNEP<sup>1</sup>, a green economy is an economy that improves the well-being of people and ensures social justice, while significantly reducing the risks to the environment and its degradation [Global’nyi zelenyi novyi kurs, 2009]. The “green” activities include:

- clean energy (renewable energy sources) and clean production technologies;
- sustainable agriculture and water consumption;
- creation of ecosystem infrastructure;
- prevention of deforestation, forest degradation and loss of biodiversity;
- sustainable cities (planning, urban transport, green construction, etc.).

The efforts made by the world community, public organizations (Greenpeace, etc.) and national governments produce certain results, but global environmental problems continue to aggravate.

Experts have calculated that currently food is produced in sufficient or even excessive quantity to meet the needs of the entire population of the planet. However, almost 30% of food production, or about 1,3 billion tons, is lost every year (worth about \$7,5 trillion ). At the same time, more than 821 million people in different regions suffer from hunger [Kim, Galaktionova, Antonevich, 2020, p. 2]. In conditions of wasteful consumption, in order to feed the growing world population, by 2050 it will be necessary to increase global food production by 60%, and planetary resources may not cope with this [Anikeev, 2019]. In addition, food losses and food waste are among the main anthropogenic factors of environmental pollution. Lost food accounts for about 8% of all greenhouse gas emissions [Kim, Galaktionova, Antonevich, 2020, p. 2–3].

The need to reduce waste and the principles of waste-free (low-waste, closed-loop) production were discussed as early as the late 1960s. In the 2010s, these ideas were revived in a certain sense in the increasingly popular concept of the circular economy (or closed-loop economy, cyclic economy).

The circular economy, an integral part of the “green” economy, supposedly is a way to achieve sustainable development goals. It was originally based on three key principles, called “3R”: reduce, reuse and recycle, – the number of which increases over time. Experts believe that this area has enormous potential for optimizing managerial and technological solutions to eliminate environmental and economic problems and the development of new industries [Gurieva, 2019].

Active promotion of environmental awareness contributes to making production green and human behavior ecologically-focused. Consider for example the “Zero waste” social movement, which aims to reduce waste in everyday life. Zero waste principles include: not to buy too much (refuse); minimize consumption (reduce); use repeatedly (reuse); recycle and compost (rot) food waste [Favorskaia, 2019]. The

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<sup>1</sup> The United Nations Environment Program was established in 1972.

Zero Waste movement emerged in the late 1990s, and in 2002 the Zero Waste International Alliance (ZWIA) was formed. Currently, ZWIA divisions exist in Brazil, the USA, Canada, New Zealand, Australia, Korea, the Philippines, in 22 European countries [History of ZWIA, 2020].

Greta Thunberg, a young Swedish activist (born in 2003), who has received international recognition (since 2018) for her speeches for climate change mitigation, can serve as a symbol of a new attitude to life (and to consumption in particular) (“school strike for climate”, speeches in social networks and international organizations).

However, “green” economy and responsible consumption is largely a matter of time and money (investment). To date, the benefits of reducing waste compared to the costs of this process are far from obvious to everyone. Transition to environmentally “clean” and waste-free production causes controversy among farmers, fishermen and, in general, small enterprises – producers and processors of raw materials [Kim, Galaktionova, Antonevich, 2020, p. 9–10]. And in these sectors of the economy employ a significant part of the world's able-bodied population. The solution of environmental problems is largely hampered by social inequality.

*Healthy lifestyle and production of environmentally friendly products.* Due to positive geopolitical, economic and epidemiological changes since the second half of the 20th century much more attention has been paid to human health. It was found that health depends primarily on lifestyle. Today the greatest risks to health are caused by: irrational and unhealthy diet and associated excessive weight (obesity), insufficient physical activity, bad habits (smoking, alcohol abuse, drug addiction), as well as psycho-emotional overload. In this regard, new approaches to healthy lifestyle began to form and spread.

World Health Organization (WHO) defines healthy lifestyle as “the optimal quality of life, determined by a person’s motivated behavior aimed at maintaining and strengthening health, under the influence of natural and social environmental factors”. The exact composition of a balanced and healthy diet depends on individual characteristics (age, gender, degree of physical activity), cultural context, local products. However, the basic principles of a healthy diet are uniform. In 2018, the Health Assembly adopted the Thirteenth General Program of Work (GPW 13), which set targets to reduce global salt consumption by 30% by 2025, to halt the increase in diabetes and obesity in adults and adolescents, and excessive weight in children [Zdorovoe pitanie, 2018]. WHO has also developed global recommendations on physical activity focused on the prevention of non-communicable diseases [Globalnye rekomendatsii, 2010].

It should be recognized that, by pursuing healthy lifestyle, residents of different countries are also increasingly making a choice in favor of environmentally friendly products, which are usually more expensive than traditional ones [Zdorovoe pitanie, 2018]. The growing popularity of healthy eating and en-

environmentally friendly products contributes to the development of organic agriculture<sup>1</sup>. The International Federation of Organic Agriculture Movements (IFOAM – Organics International) was established back in 1972. Today, organic products are produced on 1% of all agricultural land – this is 50,9 million hectares. The largest areas are in Australia (22.7 million ha), Argentina (3,1 million ha) and the USA (2 million ha). In 2015, retail sales of organic food and beverages exceeded \$81 billion, almost four times more than in 2000 (\$18 billion). North America and Europe account for 90% of all sales of eco-products, although the demand for them is gradually growing in other regions as well [Est' chisto..., 2017].

The promotion of a healthy lifestyle, sporty fashion and style<sup>2</sup> have motivated the population of developed countries to actively engage in physical education and sports. In the second half of the 20th century the United States became the center for new innovative popular forms of physical activity. Since the late 1960s, jogging, sports and dance aerobics<sup>3</sup>, bodybuilding, step aerobics, aqua aerobics, etc. have become widespread. At the end of the XXth century fitness emerges as a popular system of healthy lifestyle, which includes regular training sessions, rational nutrition, hygiene, health recovery procedures, disease prevention [Chapkovich, 2016, p. 112–114]. Gradually, fitness has become an integral part of the lifestyle for the wealthy and well-educated around the world. In recent years, technically more complex forms of physical activity (rollers, skateboards, parkour<sup>4</sup>, etc.), as well as outdoor activities (in parks on simulators or as part of groups, etc.) have become increasingly popular. For older people, Nordic walking is a standard recreation. There is support at the international and national levels to increase the use of bicycles and scooters in cities instead of cars and public transport.

Physical and sports activities require time and money. Since the 1980s, fitness industry has emerged with thousands of specialized fitness centers around the world. A number of additional markets are growing: the market of “sports vendors” or numerous health, dance, sports studios and schools; the market of sportive and tourism goods (alpine skiing, surfing, boats, tents, etc.); the market for sports simulators, equipment, clothing and footwear [Litvin, 2015, p. 23, 24, 29–30].

There is no single “optimal” way of life for everyone: a healthy lifestyle is shaped by the society or the social group to which a person belongs. Low-income communities with a low level of education have limited opportunities and incentives to lead a healthy lifestyle and engage in an appropriate counterculture (i.e., unhealthy diet, widely spread bad habits, etc.). An unhealthy lifestyle is also often found at the other “pole” of social stratification – among the most affluent segments of the population. Specialists empha-

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<sup>1</sup> Agricultural activity with little or no use of mineral fertilizers, pesticides and growth regulators.

<sup>2</sup> Until the end of the XIX century. wealth and power were associated with corpulence and obesity – nowadays successful and famous people strive to look healthy, i.e. slim and athletic.

<sup>3</sup> Books by K. Cooper, as well as the activities of actress J. Funds, attracted a large number of women to physical activity. A striking example for men was A. Schwarzenegger, who in 1988 organized his own bodybuilding competition.

<sup>4</sup> From fr. *parcours* – athletic high-speed movement and overcoming obstacles using jump elements, as a rule, in urban conditions.

size that a healthy lifestyle is a matter of upbringing and education, but the state must also provide people with complete and easily accessible information about healthy habits.

*Joint consumption.* At the end of the XXth century, the growing operating costs of movable and immovable property, as well as the development of the service sector made people realize that it is not the possession that is important, but the ability to use a variety of resources. Accordingly, consumer preferences have changed. The sharing economy, when people do not buy and own assets but lend and borrow them, has become increasingly popular.

The concept of sharing is not new. Previously, rental and pawn shops, libraries, consignment and second-hand shops, flea markets, etc. were the popular forms of sharing. But all these activities were not seen as significant for the economy. However, in the early 2010s, the sharing model experienced a “re-birth” due to informatization and the emergence of network business [Khusiainov, Urusova, 2017, p. 134–135]. The experts of the World Economic Forum define the sharing economy as an economic activity based on online platforms, as a joint consumption of underutilized assets, monetized or non-profit, between people of equal status [Ekonomika sovместnogo potrebleniia, 2019, p. 5, 6].

Currently, the principles of joint consumption are used in various sectors of the economy: rental of housing or business offices (coworking), joint use of transport (car sharing – short-term car rental from a commercial organization or individuals; carpooling or ridesharing – sharing a car for a planned trip; new taxi ordering services), trade in goods, joint projects and financing (crowdfunding). Even new ways of “renting” knowledge have emerged: numerous Internet resources where you can find the necessary information for free (Wikipedia, etc.), as well as web sites that provide various distance learning courses and programs for free. In Europe, joint consumption eco-projects are a fashionable trend [Lymar’, 2018, p. 69].

Modern sharing technologies have a great impact on the tourism industry. The emergence of online agencies (Trip Advisor, Booking Holdings, etc.) contributed to an increased tourist flows by simplifying the process of searching, booking and paying for tours, as well as air tickets and hotels. Search options for short-term tourist accommodation with references and feedback on the quality of services have expanded noticeably [Ekonomika sovместnogo potrebleniia ..., 2019, p. 11].

Modern consumers have become more likely to buy second-hand items, as well as rent clothes (especially for festive occasions).

Experts identify three main ways for the sharing economy to develop: 1) the Uber model, i.e. the use of digital platforms to create horizontal network structures that connect contractor and customer for renting items and premises; 2) Mesh model, i.e. network access to a product or service, without transferring its ownership, which allows to “sell” one product many times; 3) transfer of goods after primary use to another individual or company [Khusiainov, Urusova, 2017, p. 139].

In 2016, the size of the sharing economy was estimated at \$36 billion. According to the World Bank, China is the world leader in the sharing economy. It is expected that by 2025 the sharing economy in China could be rise to 20% of GDP. The size of the sharing economy in the EU-28 was estimated at \$26,5 billion in 2016 (about 0.17% of the region's total GDP). The most developed sharing economy was in France (25% of the total sharing economy in the EU-28), the UK (17%), Poland (10%) and Spain (10%) [Ekonomika sovместnogo potrebleniia, 2019, p. 7].

The impact of sharing principles on the economy is ambiguous. On the one hand, its participants create added value, increase the number of goods and services provided [Ekonomika sovместnogo potrebleniia, 2019, p. 8]. The sharing economy makes it possible to increase efficiency, reduce transaction costs and increase the speed of using goods and services [Khusiainov, Urusova, 2017, p. 135], helps to optimize the distribution of resources and reduce the environmental burden, and also increases the level of trust in society. In addition, such a system is consistent with more rational principles of consumption and the goals of sustainable development [Ekonomika sovместnogo potrebleniia, 2019, p. 6].

On the other hand, the demand for newly manufactured goods is decreasing, which leads to lower production and a slowdown in GDP growth [Ekonomika sovместnogo potrebleniia ..., 2019, p. 8]. The sharing economy does not participate in the formation of GDP, as it is not taxed. By “distracting” a part of consumers, it is increasingly competing with traditional sectors of the economy [Lymar', 2018, p. 71].

Any further development of the sharing economy will require an adequate legal regulation and the upgrading of traditional formal institutions [Ekonomika sovместnogo potrebleniia ..., 2019, p. 15–16].

### **Consumer society, Russian style**

Russia traditionally entered the consumer society “from the top”. This led to a paradoxical synthesis of insufficient production of material goods and the everyday culture of consumerism, to sharp contradiction between the space of consumer opportunities, limited by the failing economy, and the dynamically developing space of desires [Il'in, 2005, p. 15, 17], as well as to a dramatic increase in socio-economic inequality.

On the one hand, a small but noticeable layer of people is rapidly forming, significantly exceeding the country's average indicators in terms of living standards and replicating consumption patterns characteristic of the wealthy strata of the Western consumer society. On the other hand, the shortage of material consumption for the majority of the population is compensated by the consumption of media-generated myths. At the same time, consumption has become the main tool for constructing social identity [Il'in, 2005, p. 17–18, 24, 26–27, 38–39]. In turn, social stratification manifests itself, first of all, in certain consumer preferences and appearance (“new Russians”, punks, rockers, sports fans, etc.).

As the domestic business was included in global production processes and the living standards started to rise in the 2000s, the Russian version of the consumer society converged somewhat with the

consumption patterns of developed Western countries. Against the background of the old success stereotypes (apartment-car-country cottage), new symbols of solvency (property and education abroad, etc.) are emerging, and some previously elite forms of consumption are turning into common and easily available (outbound tourism). Although for a significant part of the population (in rural areas, small towns, a number of national communities), all this remains unattainable.

The modern consumer society and the consumer lifestyle in Russia are patchy – these are mainly observed in large cities. Significant territorial and intergenerational discrepancies persist in patterns of consumption and behavior of the population. Forms of “new” (responsible) consumption are emerging in the country (due to global trends), but many actions are simulative.

*Demonstrative behavior and the economics of luxury.* The modern market of premium and luxury goods began to take shape in Russia in 1998–1999. Despite good growth rates until the 2010s, it remains small in volume. In 2014, the domestic luxury market ranked 11th relative to other countries in the world (about 4.6 billion euros). In late 2014 – early 2015, the luxury goods market in Russia collapsed sharply (in 2016 – 3,5 billion euros). Since then it displayed slow recovery until in 2020 another collapse followed. The domestic market of luxury goods is highly concentrated geographically. Moscow is not only the main center for transactions and the residence for leading brands, but is also the style and trend maker for consumer behavior throughout the country [Badoev, Zaseva, 2017, p. 195].

Russian luxury market is heavily dependent on import. The former Soviet domestic manufacturers of luxury goods could not stand the competition with foreign companies. Many factories have closed (watch manufacturing) or reoriented towards middle-level consumers (jewelry, furs, some types of clothing, etc.). The main reason is obvious: the lack of “efficient” success-motivated owners and inept management.

Experts note that the Russian luxury goods market is very different from Europe and the US and is rather close to the BRICS countries (i.e. countries at the stage of initial capital accumulation). The highest share of luxury purchases falls on young and middle-aged people. Russian luxury consumers tend to be emotional and spontaneous in their purchases; they still display pronounced features of demonstrative behavior. They are very easy to manipulate, they are easily cajoled by discounts, promotions and individual services [Badoev, Zaseva, 2017, p. 194].

*Healthy lifestyle and environmentally friendly products.* Ideas about healthy nutrition, the need for physical activity, etc. had very little to do with public health care initially. These concepts spread in Russia to a large extent under the influence of fashion and reports about lifestyle in the developed countries. In recent years the situation has been changing due to the change of generations and some government policies (for example, since 2013, smoking in public places has been banned in Russia).

In the domestic corporate sector, health of employees is traditionally linked to labor protection. In order to reduce morbidity and mortality in the working-age adults, the Ministry of Health of Russia



(within the framework of the national project “Demography” for 2019–2024) developed a model corporate program “Improving the health of workers”, and also created a library of existing corporate programs<sup>1</sup>. The recommendations include various measures to reduce alcohol consumption, limit the sale of foods high in salt and sugar and, provide financial incentives for smoking cessation programs, etc. [Minzdrav: vnedrenie ..., 2019].

Indeed, business must take good care of workers’ health. However, only highly profitable enterprises can afford to do this. In addition, questions arise – why, then, were the departmental health units that existed in the USSR liquidated during the market reforms of the 1990s and continue to destroy the preserved structures at the present time? And what will happen to the economic efficiency of enterprises that their social obligations are growing again?

In the 1990s, the private fitness industry took the place of free state-provided sports programs. The modern forms of physical activity are well-developed in large Russian cities, primarily in Moscow. In other regions the situation is much worse [Chapkovich, 2016].

As the private sectors offers diverse and attractive sports services, physical education programs in educational institutions continue to deteriorate. At the federal, regional and corporate levels, attempts are being made to support the physical activity among different age groups of the population. However, the feasibility of these measures is limited by the existing budgets. As a result, in terms of the level of physical culture and mass sports among the population, Russia is behind not only the developed countries of the world, but also behind its own achievements of the late 1980s.

Despite the growing domestic demand, domestic production of sports goods remains underdeveloped. This market is dominated by foreign companies whose imports of sports goods are increasing.

The markets of environmentally friendly products and healthy eating traditions in Russia are just evolving. In 2015, only 385 thousand hectares of agricultural land were involved in the production of organic products in the country (about 0,2% of total area). The market volume remains insignificant: in 2016 it amounted to 120 million euros (about 7 billion rubles), and the consumption of eco-products per capita was 0,8 euros (about 48 rubles). However there is an observable trend towards higher consumption and production of environmentally friendly products [Est’ chisto ..., 2017]. If domestic demand for them is limited by the income level of the general population, the export opportunities are very significant.

It should be noted that state measures to stimulate a healthy lifestyle of the population in Russia are largely demonstrative and formalistic in nature, medical institutions remain mostly uninvolved. Nonetheless, there are examples of really effective events. For example, in Moscow, pensioners are provided with free admission to some swimming pools; free outdoor fitness classes are held in a number of parks in the

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<sup>1</sup> Federal project “Strengthening public health”: static-1 // Ministry of Health of the Russian Federation. Official site. Useful resources. National projects. – 2019. – URL: [https://static-1.rosminzdrav.ru/system/attachments/attachess/000/046/753/original/Corporate\\_software\\_library.pdf?1565693486](https://static-1.rosminzdrav.ru/system/attachments/attachess/000/046/753/original/Corporate_software_library.pdf?1565693486) (date of access: 08.24.2020).

summer; mass marathon races and ski races have gained some popularity. At the same time, the position of legal tobacco and alcohol producers is very strong, it is unprofitable for the state to limit their business (due to the significant budget revenues). Illegal production and smuggling of tobacco, alcohol, and drugs also require special counteraction measures.

*Responsible consumption, green and circular economy.* The state, business and public organizations in Russia join forces to promote this trend. For example, the national project “Ecology” (for the period 2019–2024) includes 11 federal programs corresponding to the main aspects of improving environment: clean air and water, solid waste management, conservation of forests and unique water reservoirs [Chis-taia Rossiia, 2019].

The transition of the domestic real sector to “green” and low-waste technologies is hindered, on the one hand, by a lack of financial resources, and on the other, by an excess of natural resources. For example, in Russia, the use of wind and solar energy is growing, but at a slow pace. Greenhouse gas emissions have decreased mostly due to the deindustrialization of the economy and the influence of global trends (the use of bicycles in cities instead of vehicles, the spread of the concepts of “green” building, “smart” city, etc.). The potential for reducing material and energy consumption, waste and harmful environmental impact of domestic production is still very significant. The upgrading of existing and the setting up of new “green” enterprises depends, primarily, on the speed of technological modernization and the introduction of new technology.

The “green” economy in Russia is underdeveloped, and the principles of the circular economy are just beginning to spread. At the same time, the problem of household waste disposal is becoming more and more acute. The development of waste processing is hampered by the lack of separate waste collection and the habits of the population. Although the authorities are taking steps to organize the separate collection of household waste – for example, in some newly constructed buildings there are no garbage chutes – but these efforts are clearly not enough.

At the same time, the “zero waste” movement is on the rise in Russia. There is a growing number of charity thrift stores that collect unnecessary or used items; the profit from sold items goes to social or environmental projects or is distributed among people in need [Chestina, 2018]. Upcycling (reworking projects and crafts) and recycling (reprocessing clothing) of second-hand items by charitable organizations are developing [Otvetsvennoe potreblenie, 2019, p. 30–33].

In 2015, the food sharing movement emerged in Moscow and St. Petersburg, uniting food savers and based on the experience of the German project Foodsharing.de [Chestina, 2018]. In addition, the charitable Food Fund “Rus” establishes communications between producers seeking to donate free goods and recipient structures. It is believed that if it were possible to save annually 1 (one) million tons of produce from destruction (and this volume is realistic for Russia), then it would be possible to cover the needs of all citizens who live below the poverty line. In 2016–2018 the total amount of food donations

amounted to only about 15 thousand tons, since it is unprofitable from a financial point of view to donate products to charity. In 2020, the State Duma adopted a law offering taxation benefits for charitable activities, but this issue has not yet been finally resolved [Kim, Galaktionova, Antonevich, 2020, p. 14–15].

Domestic “grassroots” volunteer and *social entrepreneurship* responsible consumption initiatives are promoted mainly through the Internet, have a limited audience and scale. They cannot yet compete with traditional large manufacturers and retailers, or pose a serious challenge to the consumer society [Chestina, 2018]. To increase their effectiveness and spread throughout the country, the federal support is necessary (development of a nationwide strategy and lobbying for specific bills) [Kim, Galaktionova, Antonevich, 2020, p. 16].

*The sharing economy.* Modern forms of joint consumption are a relatively new phenomenon for Russia. Participation in this process may involve certain risks, for example: receiving poor-quality goods and dishonesty of economic agents, damage to goods and lack of legal support. These risks can be eliminated by creating a rating of owners, verifying users, increasing the responsibility of communication services, accumulating consumer experience and developing mutual assistance among consumers [Lymar', 2018, p. 70].

It is estimated that the share of those interested in joint consumption in Russia exceeds 50% of the population. More than half of them are millennials, or generation Y. Representatives of the older groups traditionally do not trust sharing services. The sharing economy is developing at a faster pace in Russian million-plus cities, where it is easier for sharing communities to gain a critical mass of supply and demand [Otvettstvennoe potreblenie, 2019, p. 20, 21].

The main elements of the sharing economy in Russia are: carsharing; short-term real estate rentals; person-to-person sales and rentals; freelance online exchanges [Tagarov, 2019, p. 595].

According to the global Timbro Sharing Economy Index, compiled at the University of Pennsylvania, Russia ranks 105th in terms of the level of the sharing economy among 213 countries studied [Ibid.]. Many economists see the reasons for this lag in Russian history. Decades of Soviet shortages and “communal” life have led to a high value of property, and the conditions of the post-Soviet period have increased the degree of mistrust between people [Lymar', 2018, p. 70]. At the same time, according to such classical concepts as the “pyramid of needs” by A. Maslow and the “environmental curve” by S. Kuznets, the social and environmental motivation of the Russian population is limited by a low level of income [Tagarov, 2019, p. 598].

### ***Modern trends***

The effect of digitalization, a new global XXI century process, on the consumer society is multifaceted.

As scientists stress, automation, computerization, robotization, intellectualization in the sphere of manufacturing and service will release an excess mass of labor force. Computers and robots are bringing the age of “free time” (including from work) closer. In the near future, fundamental transformations are expected in the labor market, as a result of which one will have to forget about stable employment [Prekariat: stanovlenie novogo klassa, 2020, p. 340]. An emerging post-labour society will bring along new problems.

The years of domination from the neoliberal economic model resulted in gradual disintegration of the middle class and the return of polarized social structure [Kurennoi, 2015]. We observe the formation of a precariat (from Latin “*precarium*” – unstable, unguaranteed, – and “*proletariat*”, that is, an exploited class in a capitalist society) – a fundamentally new social stratum (protoclass), whose representatives are alienated not only from the results of labor, but from the whole of society, and experience unusual, sophisticated forms of exploitation. The precariat includes those who are engaged in informal, temporary, part-time, additional and fragmented work, are involved in the shadow or “illegitimized” sector of the economy, are self-employed or freelancers. The growth in the number of these population groups, characterized by curtailed social rights and a disadvantaged social status, is observed in many countries of the world, including Russia [Prekariat: stanovlenie novogo klassa, 2020, p. 11].

Idleness does not offer more freedom, but creates many problems in terms of identity, morality, self-education skills and self-restraint, search for a place in life [Prekariat: stanovlenie novogo klassa, 2020, p. 341, 342]. The nature and scale of the coming changes can be described as the onset of one of the greatest cultural revolutions in the history of mankind that will radically transform the concept of human needs, and therefore, patterns of production and consumption.

Growing threats to the modern consumer society (rising inequality, a new wave of automation, ecological boundaries of economic growth) have made popular the idea of an unconditional basic income (UBI) – an amount of money, paid on a regular basis to each individual unconditionally and universally. This idea arose at the end of the 18th century, but today the interest to UBI has become unprecedented. Hopes are pinned on the UBI, connected both with the prospects of the welfare state in developed countries, and with ensuring economic stability in other regions. According to UBI enthusiasts, its introduction solves the problems of poverty, unemployment and precarization of the labor market, “lousy jobs” and “obsession” with economic growth. UBI may help to achieve economic security and the real individual freedom [Van Parajs, Vanderborht, 2020, p. 8, 9, 11].

Modern systems of social assistance and charity make it possible for those who are able to work to cope with difficult times, and to survive for those who is incapable of working any more. But at the same time social support programs perpetuate poverty and corrupt their wards socially [Van Parajs, Vanderborht, 2020, p. 17]. An individual needs not a “fish”, but a “fishing rod”. Can UBI fulfill this function? For certain groups of the population (pensioners who can no longer work; students; mothers with minor

children), the introduction of UBI seems reasonable. UBI for the working-age adults is more controversial. There is no agreement on the question where financial resources should be directed: distributed or invested in education / retraining, soft loans for start-up businessmen, etc. Today UBI looks like a utopia but many former utopias have become a reality [Van Parajs, Vanderborht, 2020, p. 401–402].

These trends and initiatives determine the direction of transformation that the modern consumer society may take. Experts emphasize that among the historical events of the past (epidemics, famine, world wars, etc.), today's "comfortable period" is rather an exception. «The history of mankind is the history of continuous catastrophic events that prompted individuals to seek ways out and to transform the world. World catastrophes will interrupt the postmodern phantasmagoria of simulacra and encourage consumers to reconsider their attitude to life. ...Despite all its "virtuality", consumption cannot be completely divorced from reality» [Davydov, 2014, p. 108, 109, 113, 114].

These forecasts look largely prophetic especially in the wake of the 2020 coronavirus pandemic. On the one hand, there has been a shift in consumer demand towards essential goods. Analysts predicted that the global luxury goods market have been shrink by 35–45% in 2020 even under the most optimistic scenario. And if the clothing and cosmetics market can recover in two years, then for other categories this process will take longer [Padenie mirovogo rynka, 2020]. Before 2020 mega-events (Olympics, etc.) were trending but the pandemic put a stop to all this [Koronavirus, 2020]. Social isolation practices have demonstrated how important is personal communication, which cannot be replaced by virtual contacts. On the other hand, the process of digitalization has accelerated sharply and the demand for digital consumption has increased. Moreover, it was new technologies that made it possible to study, work, make the necessary purchases, communicate and have fun remotely.

In a situation of social calamity, such traditional institutions as the family and the state always come to the forefront, patriarchal and outdated practices (like subsistence farming and personal gardens in Russia) turned out to be in demand [Ibid.]. The pandemic has dealt a severe blow to megacities and the sharing economy, but it has stimulated the new social practices of volunteering and freelancing. While the industrial waste was somewhat lower during the lockdown, new sources of pollution have appeared (disposable masks, shoe covers, gloves).

However, behavior and consumption patterns cannot radically change in a few months [Ibid.]. As restrictions are lifted, the familiar and attractive activities (for example, tourism, car sharing) rapidly recovered. Although public awareness to a healthy lifestyle has naturally increased, but lower threat level discourages people from observing the rules of safe behavior.

### ***Conclusion***

Consumption patterns depend on socio-economic conditions, but the choice of a model is determined by both formal (state policy, law) and informal institutions (morality, ethics, aesthetics). From this

point of view, the consumer society is a natural synthesis between the capitalist economy of overproduction, the philosophy of postmodernism and the liberal ideology of individualism.

Compared to previous periods of history, modernity is distinguished by a significantly increased free choice [Khusiainov, Urusova, 2017, p. 143], by wider range of available styles and alternative behaviors [Il'in, 2005, p. 18]. The consumer society continues to change in accordance with the dynamics of various endogenous and exogenous factors. The vector of these transformations is determined by internal contradictions (inequality) and environmental restrictions, by further development of productive forces (digitalization, new forms of business, etc.). But while the future of the “well-to-do society” remains unclear, the degree of uncertainty and irrationality of the unfolding events is growing.

Can there be another, just as effective incentive for economic and human activity in general? For instance, possession and usage, curiosity and a thirst for new knowledge instead of greed and vanity? And is it realistic to harmonize diverse needs, to achieve a balance between limitations and opportunities, nature and economy, conspicuous and responsible consumption, a healthy lifestyle and the economy of impressions, profit maximization and social utility?

According to some experts, currently there is a tendency towards modification or a subtle form of sublimation of former consumer attitudes [Kurennoi, 2015]. The demonstrative luxury consumption is replaced by a fashion for moderation and charity. For example, following the example of A. Carnegie, billionaires B. Gates and W. Buffett created the “Giving Pledge” – the moral obligation of wealthy people to transfer their inheritance to philanthropic causes. Representatives of the world elite who joined this declaration (M. Bloomberg, T. Turner, M. Zuckerberg, J. Lucas, M. Friedman, V. Potanin, etc.) believe that unearned fortune and wealth demotivates and corrupts their children.

According to other scientists, as soon as the income rate significantly exceeds the subsistence level (the level of human reproduction), the rationality of human behavior inevitably decreases, since the very category of purposeful action loses its objective foundations and becomes subjective. As an irrational consumer, the individual is also transformed into an irrational producer. In practice, this means that it is possible to build an economic system oriented towards other goals rather than an endless increment and accumulation of capital and maximization of consumption. For example, increasing personal security or maintaining the material and information trace of one's existence in a conditional (as technically possible) eternity [Stroev, 2016, p. 51, 54–55].

The attitude to human needs and consumption is associated with the solution of fundamental social and humanitarian problems: the search for happiness and the formation of ethical principles (good VS evil ratio; the man's place in nature and society; the purpose of human life); drivers of economic growth and innovation; equality, freedom and individual achievement; environmental well-being. It should be recognized that the basic human needs (as in the A. Maslow's “pyramid”) will stay unchanged, but they will be adapted and customized. Meanwhile, the need for common universals remains. At the same time, answers

to questions: “what does an individual want to possess/use/enjoy?” and “how many products/services/experiences do people need to meet their current needs?” – directly determine the vectors of economic activity and their prospects.

Our life changes due to purposeful human activity. At present, there is a tendency towards transition of society to the era of constructivism: large-scale actions to consciously rearrange the world around us and to improve humanity. The actual creation of an artificial human habitat must be coordinated with the preservation of diversity of life on Earth and the provision of a sustainable state of society. Such coordination cannot be achieved without the formation of adequate ideas about human needs and consumption, understanding what is happening at the theoretical level. The choice of consumer strategies and their change depend on the improvement of analytical and research “optics” (views) of a person and his life experience (reflection) [Kurennoi, 2015]. From this point of view, the status of the following institutions seems to be of primary importance: science (formulating the principles of reasonable consumption), education / upbringing system (ensuring the transfer / dissemination of these principles among new generations), national states (supporting and stimulating the implementation of these principles).

It is only natural to hope that the transformation of the modern consumer society is inevitable, that humanity will cope with global risks and minimize the costs of consumerism. Rational consumption among the growing number of generations living in relative prosperity and economic security, the human capacity for reasonable self-restraint, as well as the spread of innovation generate hope that humanity will be able to moderate the rampant consumerism. The question remains if humanity has enough time for this? And what will be the “price” of transformations?

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## POINT OF VIEW

### CONSUMER SOCIETY VS CIRCULAR ECONOMY: COMPATIBLE OR MUTUALLY EXCLUSIVE MODELS?



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**Summary.** *This article analyzes the concepts of the circular economy as an opposite to the linear model of economy. The implementation of both models in different countries is considered. In order to reduce waste and extend the useful life of goods, it is necessary to radically change the existing consumption model and existing social patterns. It is impossible to ensure such transformations relying solely on the market forces – the key actors are the state and the scientific community.*

**Keywords:** *consumer society; circular economy; closed-loop economy; linear economy.*

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## **Introduction**

In Jean Baudrillard's 1970 book "The Consumer Society" about the modern Western society, it is noted that its main values are aimed at the unrestrained consumerism of continuously replenished goods. Since the second half of the XX century the world economy was steadily growing due to new needs imposed on society through clever marketing. "There is all around us today a kind of fantastic conspicuousness of consumption and abundance, constituted by the multiplication of objects, services and material goods, and this represents something of a fundamental mutation in the ecology of the human species.... Strictly speaking, we have come to live not so much alongside other human beings – in their physical presence and the presence of their speech – as beneath the mute gaze of mesmerizing, obedient objects" [Baudrillard, 2020].

As the sociologist Z. Bauman rightly noted: "Speaking of the consumer society, we mean something more than the banal thesis that all members of this society "consume"; all people, moreover, all living beings "consume" from time immemorial... Today's society "trains" its members, first of all, to play the role of consumers" [Bauman, 2004, p. 115–116].

The latest methods of manufacturing all types of products and providing services, coupled with the achievements of science and technology, allow for a significant part of the population not only to satisfy their basic needs (living conditions and reproduction of the family), but also to constantly expand them. Overconsumption has become the main stimulus for the development of the economy and its competitive principles. Never in the history of mankind has the range of products and services been so wide. Hundreds of brands that once satisfied the basic needs are now produced and advertised under different names [Leksin, 2020].

Thus, the current firmly entrenched economic model is promoting the main principle of absorbing natural resources in order to produce material goods and dispose of used products. At the same time, the service life of products is constantly diminishing. Firstly, due to the fact that manufacturers intentionally create goods (especially technical devices) unserviceable or difficult to repair, making repairs practically inaccessible to the average user. Secondly, because products become morally obsolete much faster than physically.

Human society and its economy are increasingly moving away from natural cycles. Recycling in nature is the result of ages of evolutionary adaptation, creating complex ecosystems, where a large number of species occupy complementary niches and the circuits of matter flows are effectively closed [Levine, 2003]. Compared to this, the economy, although complex at first glance, is a rather simple ecosys-

tem, which consists of only a few complementary “species” and “niches” and does not close cycles completely. As a result, the economy tends to produce more than it decomposes and recycles [Van den Bergh, 2020].

In other words, the modern economic model is linear and includes the following stages: extraction of raw materials – processing and transformation into products – distribution and sale – use – disposal in the form of waste [Craig, 2018]. This model has no stages of recovery or reuse of materials that eventually become unusable waste [Zvarych, 2017]. Throughout the history of society, the exploitation of natural resources has been carried out without analyzing the impact on the environment and the possibility of reusing resources, which are reusable. Currently, untreated waste mainly ends up in landfills or incinerators, causing irreparable damage to nature [Canh, Dinh Thanh, 2020].

The linear model of the economy is becoming increasingly unstable, since both natural resources and energy sources are limited and increasingly depleted [Wastling, Charnley, Moreno, 2018]. The global natural ecosystem is shrinking in size and scope. Currently, only 62% of the original natural ecosystems have survived, while the minimum limit for human survival is estimated at 75% [Friant, Vermeulen, Salomone, 2020].

The livable space is shrinking more and more, even if we do not notice it yet. Deserts are expanding and sea levels are rising. With population and livestock growth, as well as per capita consumption, biodiversity is being depleted at an ever faster rate.

A simple and logical alternative to the linear model of the energy and resources flows is the circular economy model, which appeared back in the 1960s, and has recently become more widespread. It should be immediately emphasized that in fact one should not speak about a single, but a multitude of concepts<sup>1</sup>, proposing ways to minimize the negative ecological footprint of mankind. Moreover, the number of publications on this issue has been growing exponentially in recent years.

For instance, a search on the Internet for the concept of “circular economy” in 2008 would have shown only 20.57 thousand results. Today the same search results in more than 5.74 million [Friant, Vermeulen, Salomone, 2020]. Most of the publications belong to the political discourse, while the scientific study of this topic is noticeably behind. In 16 years (from 2004 to 2019), only 1366 articles were registered in the Web of Science and Scopus databases in this area. While only 21 articles were published in seven countries in 2004–2007, 1202 articles (88% of total publications) in 81 countries were published in the 2016–2019 period [Effects of Circular Economy Policies ..., 2020]. This evolution was largely caused by the adoption in 2015 of the UN Agenda for Sustainable Development until 2030 [Preobrazovanie nashego mira ..., 2015].

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<sup>1</sup> Based on a literature review, a list of 72 different concepts of the circular economy has been compiled [Friant, Vermeulen, Salomone, 2020].

The topics of publications are also changing, too. In the period from 2004 to 2015, research was focused primarily on planning a sustainable economy, cleaner manufacturing and improving the efficiency of regional management. In 2016–2018 the main focus of the articles shifted to the proper handling and recycling of waste, as well as to the issues of sustainable development [Effects of Circular Economy Policies ..., 2020]. Finally, in 2019, the scientific discourse started to include the creation of attractive economic conditions for companies to implement more “sustainable processes”, as well as the social responsibility of business and society [Gigli, Landi, Germani, 2019; Environmental and economic implications, 2019]. Thus, there is a shift in focus from the responsibility of governments to the responsibility of business and society for a sustainable future.

Most authors write about achieving the UN Sustainable Development Goals<sup>1</sup> by greater competitiveness of states and reducing their dependence on resources. This, as well as solving the problem of employment, can be achieved through the implementation of R&D incentive policies, social and environmental responsibility of companies and citizens [Effects of Circular Economy Policies ..., 2020].

These trends in scientific discourse reflect political transformations with some delay [Circular economy policies, 2017]. As was noted above, in general, the discourse on the circular economy is dominated by non-academic sectors that focus on economic and environmental benefits and business models [Towards a circular economy, 2015; Closing the loop, 2015]. It should be recognized that such an approach does not help to systematically and comprehensively understand the consequences of the transition to a circular economy. In addition, the complex and controversial relationships between the circular economy, energy, resources, biodiversity, entropy and economic growth are little discussed [A circular economy ..., 2020]. Some authors argue that these conceptual limitations are not important for practitioners, who need further empirical research rather than theoretical discussions [Kirchherr, van Santen, 2019].

It seems that the concept of a circular economy needs a deeper scientific study. The relevance of this task is due to the fact that there is still no agreed general economic or social theory and no philosophical justification of a circular economy [Velis, 2018]. At present, this concept runs the risk of losing its systemic validity and critical social significance, turning into an unattainable utopia. As if to prove it, the whole block of critical literature has appeared in recent years that analyses the “rebound”<sup>2</sup> phenomena. The authors of such publications do not attempt to analyze circular economy as a complex phenomenon and seek solutions to emerging problems and contradictions. On the contrary, they justify the implementation of the “semicircular model” or dismiss this model as unrealistic. In this context, the concept of a

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<sup>1</sup> [Preobrazovanie nashogo mira, 2015]

<sup>2</sup> The rebound effect describes a situation when measures aimed at achieving environmental goals in one area lead to negative consequences in another. For example, waste incineration generates significant greenhouse gas emissions; the transition to bioenergy threatens the loss of biodiversity; construction of wind turbines, solar panels, smart grids, etc. will inevitably lead to an increased demand for minerals such as cobalt, lithium and nickel, the reserves of which are also limited.

circular economy can be easily discredited and ignored as an oxymoron comparable to green growth or environmental modernization [Lazarevic, Valve, 2017].

### **The history behind the concept of circular economy**

*Circularity 1.0.* Although the concept of a circular economy has entered the political and scientific discourse relatively recently, the ideas underlying it appeared in the middle of the last century. The idea was initially conceptualized in the 1950s-1980s. At that time, discussions about depleting resources and the ecological consequences of human activity became widespread, due to key publications such as “The Tragedy of the Commons” by Garrett Hardin [Hardin, 1968], “The Limits to Growth” [1972] and “Overshoot” by William Catton [Catton, 1980]. The same period saw the publication of book by Connett Boulding “The Economics of the Coming Spaceship Earth”, which is commonly called the progenitor of the circular economy [Aleksandrova, 2019]. Boulding calls for a “space economy” in which “all outputs from consumption would constantly be recycled to become inputs for production” [Boulding, 1966, p. 5].

During the period under review, various concepts were developed to address the problem of resource depletion. All of them were based on a deep understanding of planetary boundaries and paid great attention to further development, including the need to break the link between economic growth and the depletion of nature, the problems of “rebound”, the balanced use of various resources, as well as ensuring social justice. During the same period, the technical literature on waste management was actively published [Reike, Vermeulen, Witjes, 2018]. It was then that the first waste management and recycling systems for various waste streams were developed [Takahashi, 2020].

*Circularity 2.0.* This technical groundwork became the basis for the next stage, associated with the fame and recognition of the concept of a circular economy, which took place in 1980–2000 [Blomsma, Brennan, 2017]. The emergence of many innovative solutions has made it possible to consider waste as a valuable resource [Reike, Vermeulen, Witjes, 2018]. It was during this period that David Pearce and Carrie Turner [Pearce, Turner, 1989] introduced the concept of a circular economy into scientific circulation. Many related scientific ideas, political ideologies, and business models have also emerged, such as the “industrial ecosystems” by Robert Frosch and Nicholas Gallopoulos [Frosch, Gallopoulos, 1989], “industrial ecology” by L.V. Zelinski et al. [Industrial Ecology, 1992], “reverse logistics” by Dale Rogers and Ronald Tibben-Lembke [Rogers, Tibben-Lembke, 1998], “industrial symbiosis” [Chertow, 2000], “extended producer responsibility” by Thomas Lindhqvist [Lindhqvist, 2000]. Many of them are based on the idea of bringing economic processes in line with the natural processes, where all the products of the activity of living beings return to the natural environment and serve as the basis for the existence of other organisms.

It is important to note that the development of the circularity concepts at that period was significantly influenced by the neoliberal discourse. As a result, market mechanisms and public-private partnerships play a key role in the transition to a circular economy. At the same time, the issues of ensuring social equality, sustainable economic growth that does not deplete the biosphere, as well as the “rebound” phenomena are practically not studied.

*Circularity 3.0.* The focus of the modern – third – stage (2000s – till present time) has shifted to the problems of sustainable development. This trend has intensified after the adoption of the Outcome Document at the UN Conference in Rio de Janeiro [The Future We Want, 2012] and the UN Agenda for Sustainable Development [Preobrazovanie nashego mira, 2015]. The ideology of sustainability gave rise to a new group of concepts, such as “natural step” [Robert, 2002], “Cradle to cradle” [Braungart, McDonough, Bollinger, 2007], “Biomimicry” [Benyus, 2003]), productivity economics [Stahel, 2010], “the blue economy” [Pauli, 2010]. At the same time, two conceptual directions of discourse are formed, which can be conditionally designated as reformist and transformational. The dividing line between these two trends runs over the ability of capitalism to overcome resource constraints and separate economic growth from environmental degradation.

### **The implementation of principles of a circular economy abroad**

This section is devoted exclusively to the study of foreign experience, since in Russia this issue has not yet entered the political discourse. In Russian regulatory documents of a strategic nature, in particular in the “Fundamentals of Environmental Policy until 2030”, the issues of “green” economy, circular economy and sustainable development are reflected rather superficially; many experts review negatively the practice of public administration in this area. Accordingly, the scientific literature on this topic is scarce. The existing works are focused either on studying foreign experience, or on some particular issues of logistics, production and processing technology. At the same time, the theory of a closed cycle circular economy model is not analyzed deeply and focuses on the expected positive effects [Val’ko, 2018].

It should be noted that Asian countries have become “pioneers” in the implementation of the circular approach. For example, in 1991 Japan passed the Law on the Efficient Use of Recyclables, and then launched the Circular Economy Initiative. Korea passed the Waste Management Law (2007) and the Promotion of Resource Conservation and Recycling Law (2008). In 2005, Vietnam made appropriate amendments to the Law on Environmental Protection and the National Strategy for Integrated Solid Waste Management [Ghisellini, Cialani, Ulgiati, 2016]. In all these countries, the main focus is on waste management policy, although they expect synergies associated with the reduction of landfills, greenhouse gas emissions, as well as a decrease in the volume of purchased resources.

Chinese law defines circular economy as a general term for the reduction, reuse, and recycling of materials in the production, circulation, and consumption of goods. In China, circular economy is implemented as part of the national program, as it is considered part of a broader policy of socio-economic transformation and development aimed at harmony between society and the environment [Naustdalslid, 2014].

The emphasis on achieving a harmonious society is typical of the Chinese policy in this area, which distinguishes it from the political context of Western countries. This is no coincidence, since Buddhism, Taoism and Confucianism have strong ecological components, which become a good ideological basis for adopting circularity models [Role of traditional Chinese philosophies, 2019]. In China Confucianism and Taoism were essential for adopting circular economy ideology as part of a “harmonious society” and “ecological civilization” [Naustdalslid, 2014]. They also became the basis for the innovative “Fundamental Plan for Establishing a Sound Material-Cycle Society” implemented by Japan since the early 2000s [Takahashi, 2020].

The second and more pragmatic reason is the scarcity of natural resources faced by China, which has entered the stage of rapid industrial growth. Western countries did not experience such restrictions at the initial stage of their industrial development. Therefore, the circular economy model found political recognition here later and mainly as a waste management strategy or environmental policy [Ren, 2007].

In the United States, there is still no comprehensive federal legislation to regulate the implementation of principles of a circular economy. Initiatives in this area are carried out either at the state level (for example, most states have regulated solid waste management issues, while giving priority to the reduction and reuse of resources), or by the private sector through market competition [Ghisellini, Cialani, Ulgiati, 2016].

However, in 2015, the US government passed a federal law to reduce vehicle repair costs. Several federal departments were involved in this work. In addition, some states, such as New York, California, Texas, Pennsylvania and Michigan, have implemented their own initiatives to develop this type of activity. This enabled the USA to become the world leader in end-of-life component recycling and producer responsibility systems. From 2009 to 2011, the US industry in this area grew by 15% (\$43 billion). Currently, the market for recycling services there is about 53 billion dollars a year, with almost 70% of sales coming from the automotive sector. Moreover, many companies implement special recycling programs that include subsidies to consumers for returning used products [Transitioning China to a circular economy ..., 2020].

In Europe, the Waste Directive 2008/98/EC was adopted first, then followed the Resource Efficiency Manifesto 2012, accompanied by the creation of the European Resource Efficiency Platform, as well as the EU Circular Economy Package 2014. However, the level of implementation of circular models in the EU countries is quite different. Recent studies show that Sweden, Finland and Denmark rank high-

est in the composite ranking (16 indicators grouped into five components) at the European level due to their performance in the cost components and the results of eco-innovation. In this context, in the countries of South-Eastern Europe, circular economy is still poorly implemented. This is usually explained by faster introduction of alternative energy sources and more proactive environmental policy pursued in the northern countries [Busu, 2019].

Swedish policy clearly demonstrates not only the specifics of the national environmental policy, but also its transformation in line with the growing neoliberal trends in the EU. The main policy documents that regulate the circular economy principles in the country are the Ecological Cycle Report “Strategy for adopting materials and goods to eco-cycles” (1997) and the Circular Economy Report 2017 (based on the EU action plan for the circular economy) [Johansson, Henrikson, 2020].

The 1997 report was based on an understanding that the planet's natural resources are limited and that the more developed economies, which consume larger share of these resources, are responsible for the future of mankind. At the same time, the key actor in ensuring the transition to a more rational model of a closed cycle is the government, which implements a balanced but tough policy. The 2017 Report looks at the potential of circular economy to “create a bridge between business and environmental policy”. It is argued that the development of circular business models contributes to strengthening “Swedish competitiveness”, creating new opportunities for exports and economic growth, while at the same time reducing carbon emissions. The social benefits of circular economy are also expressed in market terms. Moreover, the market is responsible for creating a new model of consumer behavior. This is a transitional step for transferring responsibility for a circular economy to the consumer, who must “adopt an environmentally friendly lifestyle through his consumer choice” [Johansson, Henriksson, 2020].

According to N. Johansson and M. Henriksson, in the second case, the transition to sustainable development should take place through individual rather than government actions, which increases social inequality. Not every individual can take on the burden of “environmentally friendly lifestyle”. The key difference between these approaches is that the 1997 Report recognized Sweden's responsibility for the planet's common future. In 2017, the report shifts attention to Sweden's competitiveness on the international market. This implies the adoption of the most optimal decisions from the point of view of business logic, including the transportation of the most toxic waste to less economically developed countries, as well as the use of their resources for their own growth. This approach can multiply the social inequality between the global North and South. Finally, the 1997 Report paid attention to all elements of the cycle (reducing resource consumption, extending the life of products, reuse, recycling, and reducing waste). In the 2017 Report, the main focus is on the problem of waste management while maintaining the same resource consumption, which actually undermines the very idea of circularity [Ibid.].

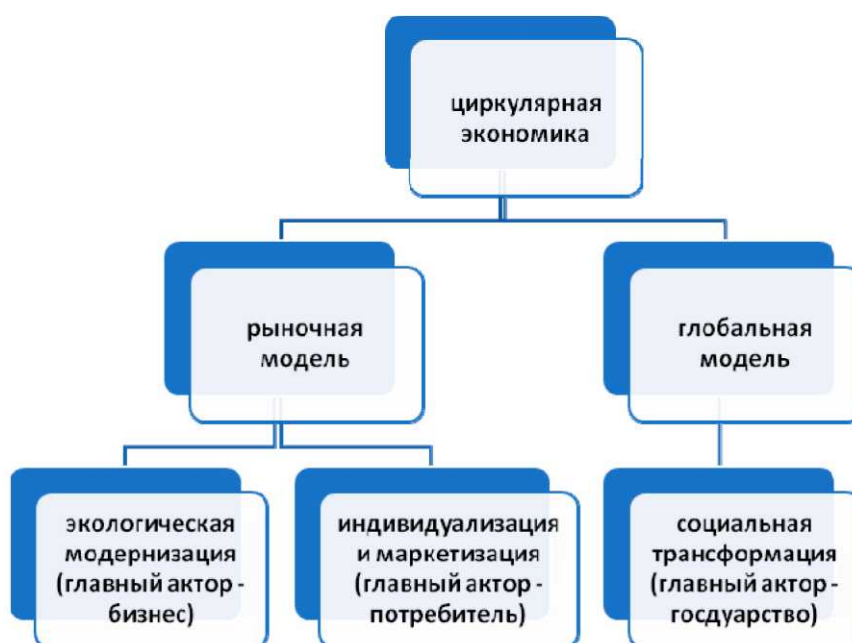


### **Challenges in transition to the circular economy model**

The analysis presented above makes helps classify the approaches to circular economy that exist in the scientific literature, political discourse and practice.

The concept of a circular economy can be represented by two models: global and market-oriented. The global model is based on an understanding of the planetary boundaries to human development. By emphasizing environmental and social prospects in the ecological cycle, the goal of global circulation is to achieve a more equitable and sustainable distribution of resources between countries and generations. Therefore, circular economy in this model is an area of public policy, where the main responsibility for the measures taken and their success lies with public actors (government institutions, as well as international institutions in the global sense).

On the other hand, market circulation model aims at a more sustainable economic growth that primarily brings local benefits such as increased competitiveness and improved export opportunities, innovation and employment. In this model, responsibility for the implementation of environmentally friendly practices passes on to businesses and individuals through social tools. Thus, the market circulation concept is more in line with the strategy of ecological modernization. It does not require companies to radically change established business models, but, on the contrary, creates new opportunities for development by offering new services and products, which, in turn, generates additional GDP revenues. Since this market model allows for the continued exploitation of natural resources, it does not challenge the prevailing economic model (see Figure).



**Fig. Classification of circular economy models (compiled by the author)**

It should be recognized that as neoliberalism gains popularity throughout the world, preference has been given in recent years to the market model of circular economy (as the example of Sweden demonstrates). However, this approach is fully focused on business interests and benefit criteria. In our opinion, this has caused an increased criticism of the concept of circular economy as such. The practical implementation of the market approach is ripe with numerous contradictions and obstacles.

First of all, business is characterized by such a phenomenon as “path dependence”. This means that new designs, models and systems for reuse, repair and refurbishment must compete in the marketplace with more traditional reprocessing, recycling or incineration for energy. Naturally, any innovation at the initial stage seems to be more expensive and risky for business than the traditional model (or product). The blocking effect comes into play when it is extremely difficult (if not impossible) for an innovative product to enter the market. In purely market conditions, this is due to the fact that business evaluates only its direct benefits and costs and does not evaluate the benefits and costs for the environment and society. These contradictions can be resolved only with the help of public policy: financial support (subsidies, tax breaks, etc.), strict regulation (prohibitions and restrictions on the use of environmentally harmful technologies and products) and popularization of innovations.

Secondly, although sustainable development is a global goal, circular economy projects that have been implemented and will be implemented in the near future will always be local or regional in nature. There is no global institution that would provide a unified policy at the global level. Accordingly, there is a high risk of achieving environmental goals by shifting negative consequences to neighboring less economically developed countries. However, this can lead to a boomerang effect<sup>1</sup>.

Thirdly, various negative side effects begin to accumulate, such as the “bounce effect” and the Jevons paradox<sup>2</sup>. The explanation is straightforward: according to the laws of thermodynamics, any economic activity consumes energy, increases entropy and reduces exergy. If at the same time the market model of a circular economy is implemented, then the consumption of material resources continues. This means that with further economic growth, all these effects will increase. The concept of a circular economy, built on the model of market efficiency, does not consider these problems, often presenting an increase in eco-efficiency as a solution to sustainability problems. However, eco-efficiency is different from sustainability. Even effectively organized systems will collapse if their total load on supporting systems exceeds the limit of stability.

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<sup>1</sup> The “boomerang effect” occurs when a decline in a poor country's biodiversity reduces migration of some rare species to a rich country from a poor country's ecosystems. If a rich country depends on these migrations for its biodiversity, then its conservation measures will not achieve their goals, because the biodiversity of protected areas will decrease due to the low level of species migration from the ecosystems of a poor country, whose biodiversity is deteriorating.

<sup>2</sup> The Jevons paradox occurs when with an increase in production efficiency, costs decrease, and, consequently, prices for final products also decrease. This increases consumption. Thus, overall economic growth can offset the initial environmental gains from higher production efficiency.

Population growth, rising living standards and urbanization far exceed the expected achievements of developed countries in implementing the principles of a market circular economy in terms of global contribution to sustainable development. Perhaps the most important question in terms of the long-term sustainable development of human society is how to generate sustainable consumption practices. If the current culture of the consumer society does not change, circular economy will remain only a technical tool that will not solve the key problems of sustainability of the biosphere and the economy.

In this regard, it seems extremely important to focus on two key issues.

First, if mass consumption associated with the marketization of human consciousness remains the main source of economic growth, it is simply impossible to achieve the goals of sustainable development. Large corporations use advertising to promote in the mass consciousness the need to buy more, to satisfy ever-increasing (and often imposed by these same corporations) needs. Today goods are largely purchased to maintain fashion and status. The purchase is closely related to the concept of novelty or “innovative” product. As a result, functional products quickly become morally obsolete. Due to increased time pressures and growing income, households show less interest in thorough maintenance and repair, especially of clothing and small appliances, preferring to buy replacements more often. For example, fewer families these days have a sewing machine to mend their clothes. To make matters worse, manufacturers often design devices in ways that make them difficult to repair – for example, through the use of unusual or hidden screws and, increasingly, computer chips. Another problem is that households keep many products that are no longer used.

Apparently, this vicious circle can only be broken through a radical transformation of the entire economic model, so that physical production and consumption would be significantly reduced.

Business simply cannot take responsibility for solving such tasks, since this contradicts the basic laws of market economy. Even firms involved in environmental projects or closing material cycles are not concerned with the good of society, but with the achievement of their private goals, such as reducing waste management costs or creating a positive image. Research shows that companies involved in the disposal of industrial or municipal waste tend to be guided by economic benefits rather than environmental values [Van den Bergh, 2020].

This means that the state and the scientific community should be the key actors in the transition to a new economic model. A deep theoretical study and competent implementation of the policy of limiting advertising of consumerism, changing social patterns and mass consciousness are required. It is noteworthy that scientific literature pays very little attention to advertising from the point of view of environmental policy, although its role in the economy is recognized as extremely significant [Ibid.].

The proposed approach also requires large-scale social and cultural changes, transformation of the structure of consumption and production. However, the scientific community does not pay sufficient attention to this problem. Contemporary publications analyze the social and cultural elements of a circular

economy predominantly from commercial point of view, such as new business models for the private sector, rather than from the perspective of a transformative social and solidarity economy [Friant, Vermeulen, Salomone, 2020].

The risk of this state of affairs is clear: the concept of a circular economy could become a profitable industry owned by a few corporations in a few countries, rather than a transformational movement that will benefit humanity. Western countries and corporations are already using the resource scarcity discourse to seize land and resources in the global South and develop infrastructure and technology to ensure resource security [Mehta, Huff, Allouche, 2019]. In addition, there is a growing number of NGOs, think tanks, and governments that exploit narratives of climate change, scarcity, and overpopulation to protect geopolitical power, resources, and prosperity from migrants from the global South [Hendrixson, Hartmann, 2019]. Proponents of this type of discourse do not always participate in public debate, but prefer to participate in business and government panels, especially when it comes to geopolitical resource security, overpopulation, and economic competitiveness.

The second key point is the tendency to reduce circularity to waste management, which in most countries of the world, including Russia, is achieved by waste incineration. This is the worst possible solution to the problem. First, tons of valuable resources are lost that could be reused in the economy. Secondly, incineration requires a significant amount of energy and leads to huge carbon dioxide emissions, which is as harmful to the environment as simple burial [Kodaneva, 2020].

The main idea of the circular model is to maximize the value of resources and thereby promote economic growth, employment and environmental sustainability. A hierarchy (cascading) of waste generation must be maintained: first – prevention, then reuse of a product, recycling of materials, energy recovery (e.g. incineration) and lastly – waste disposal. The model assumes the application of the so-called inertia principle: do not fix what is not broken; restore what can be restored; do not recycle what can be restored. If a product is broken, replace or repair the smallest part possible without degrading the overall value of the product. In other words, try to maximize the use of the product (including secondary use), then repair and restore it, and then recycle [Stahel, 2010]. The implementation of this principle requires adherence to several specific rules: long-term use (design for physical and moral durability), extended use (design for maintenance and modernization) and restoration (for example, design for reconstruction).

## **Conclusion**

The analysis of the circular economy concept and its implementation in different countries carried out in this article allows us to state that the policy of European governments, corporate strategies of large corporations (such as Apple, Puma and Aveda), analytical materials of large consulting companies (McKinsey), as well as international organizations (including the World Economic Forum and the OECD)

are promoting a market model of a circular economy where the leading role in the transition to a “green lifestyle” and “social responsibility” is given to business and citizens. In this model, the task of a state is to “not hinder” and “assist”, that is, to play a passive role. However, such an approach gives rise to a whole range of internal contradictions and inconsistencies, which discredits the concept of a circular economy and casts doubt on the possibility of its practical implementation.

In a number of scientific studies, it is customary to compare the model of a circular economy with the natural recycling that exists in nature. However, recycling in nature was not planned or caused by the activity of individual participants in the biological cycle, but is the result of a long biological evolution. The adoption of a circular economy also depends on a long-term cultural, economic and technological evolution, but the creative activity of a state and the constructive rationalism of the scientific community play a key role in this process.

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## COMMERCIALIZATION OF OLYMPIC EQUESTRIAN SPORT IN RUSSIA



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**Abstract.** *The basic Olympic principles and commerce have moved from complete incompatibility of concepts to the successful inclusion of sports in the system of commodity-money relations. Equestrian sport is a convenient model for considering the process of commercialization that has penetrated Russian sports in the past few decades, as it is one of the five most expensive Olympic disciplines.*

**Keywords:** *Olympic sports; equestrian sports; commercialization of sports.*

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## **Introduction**

It is not easy to write scientific articles about the commercialization of sports. And not only because the topic of sports is traditionally not associated with academic science, and trustworthy sources are few. The fact is that the topic, when considered from the outsider's perspective, seems not entirely clear. On the one hand, it is difficult to name an area where competition is as fierce. We should not forget that for the competitors, the highest achievements are expressed not in material results and benefits, but in sports success – awards, ranking and titles that prevail over considerations of practicality and rationalism. Events and trends in the world of sports often contradict the usual market economy principles, and ideas about profit give way to sports passion and higher goals.

On the other hand, modern sport is far from the humanistic principles once defended by the ideologist of the Olympic movement, Pierre de Coubertin, who believed that sport should be outside politics and monetary matters. All his life, the well-known public enthusiast struggled to solve the problem of amateurism and professionalism. Sports and money were among the most significant issues for Coubertin from the first day of his work on the revival of the Olympic Games. He warned against the emergence of "...a disgusting clan of professional athletes who will pervert the very idea of sports competitions, monopolize them and turn them into a kind of puppet theater" (cited in [O sport, ty ..., 2014]). At the same time, the greatest successes in modern elite sport can, first of all, be attributed precisely to the professionals, to those for whom sport is a source of income, and not to amateurs<sup>1</sup>.

The basic Olympic principles and commerce have come a long way from complete incompatibility of to the successful inclusion of sport in the system of commodity-money relations and turning it into an independent business. The central and main event in the sports world – the Olympic Games, where many sectors of the economy are involved from construction and transport to the banking sector – have become a large-scale state business project related to profits large enough to affect the macroeconomic indicators of the host country and lobbied by business circles. Thus, according to experts, the rescheduling of the Tokyo 2020 Olympics to 2021 as a result of the COVID-19 pandemic caused damage to the Japanese economy in the amount of up to 3,2 billion yen (more than \$ 29 billion) [V Iaponii schitaiut ..., 2020], and the complete cancellation of the Games could cost the country 1,4% of GDP [Eksperty nazvali razmer ..., 2020].

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<sup>1</sup> In modern sports, there are two meanings of the word "amateur": 1) a non-professional athlete who can demonstrate the highest results at the Olympic Games; 2) an amateur engaged in physical culture leisure with low or insignificant results.

It should be noted that the high performance sport is influenced by various social processes: it can be an arena of political confrontation and a vivid manifestation of human emotions. Thus, the 1980 Moscow Olympics (from July 19 to August 3, 1980) was boycotted by a number of countries protesting against the entry of Soviet troops into Afghanistan. Of the 144 countries that were part of the IOC in 1980, only 81 sent their representatives to the Olympics in Moscow. The USA, Germany, Canada, Japan and China completely boycotted the Games. Nevertheless, this event was of great importance for the sports world [XXII Summer Olympic Games 2010], especially in the USSR. For the first time in the history of the Olympics, six major sports centers were built specifically for the Games (in Moscow): the Olimpiysky sports complex – on Mira Avenue, the universal sports hall – in Izmailovo, the cycle track – in Krylatskoye, the Druzhba gym – in Luzhniki, the football and athletics arena – in CSKA, the equestrian complex – in Bitsa. The Olympic village was constructed to accommodate foreign guests.

Another example is the politically and emotionally heated (from different sides – both in Russia and in Western countries) anti-doping investigations, as a result of which sensitive restrictions were imposed on the participation of domestic athletes in the 2016–2021 Olympic Games. Russian equestrian athletes have not been accused of illegal drugs (samples are taken not only from riders, but primarily from horses). Nevertheless, the doping scandal affected Russian equestrian sport, including the Paralympic competitions. On August 23, 2016, the Court of Arbitration for Sport (CAS) upheld the decision of the International Paralympic Committee (IPC) to suspend the membership of the Russian Paralympic Committee, and, as a result, to remove the Russian team from participating in the Summer Paralympic Games in Rio de Janeiro-2016 [Paralimpiiskii komitet Rossii ..., 2016]. Representatives of Russia, together with the International Federation for Equestrian Sports (FEI), tried to fight for the participation of "pure" equestrian athletes in the Paralympics. The FEI President Ingmar de Vos spoke in support of the Russians [Paralimpiiskii komitet Rossii ..., 2016]. The result was the theoretical possibility of participation of Russian athletes in the Paralympic Games in Rio de Janeiro under the IPC flag. However, they refused this chance to compete for moral and ethical (patriotic) reasons [Predstavliaiushchie konnyi sport ..., 2016].

Going in for sports, in particular, equestrianism, is rarely motivated only by considerations of material gain. Many equestrians consider working with horses the backbone of their lives.

Nevertheless, socio-economic trends are also important for modern sports. According to some experts, the most significant changes in Olympic sports that took place at the end of the last century are associated with its commercialization. The commercialization of sports is a process of gaining profit, turning sport into a active business venture. "Subjectively, the road to commercialization of Olympic sports was cleared by the decision of the 75th session of the International Olympic Committee (IOC) in October 1974, which granted the right, at the discretion of sports federations, to use the name or photograph of an

athlete for advertising purposes in cases where these federations or NOCs<sup>1</sup> sign contracts with firms. However, commercialism in sports did not immediately become widespread. The real commercialization boom occurred in the 1980s-1990s” [Fomin, 1998, p. 578]. It is believed that the development of market relations in sports was the result, among other things, of the policy of IOC President Juan Antonio Samaranch, who held this post for more than 20 years, from 1980 to 2001 [Vek Samarancha ..., 2020].

When discussing the problems of sports commercialization, it is impossible to miss the work of S.I. Gus'kov *Doctor of Sciences (Pedagogy)*, who for a long time headed the international department of the All-Russian Scientific Research Institute of Physical Culture (VNIIFK), in particular, “Dollar on the attack” [Gus'kov, 1988], “The game called “Money” [Gus'kov, 1998], dedicated to professional sports in the West. These works have not lost their value to this day. Many processes described by S.I. Gus'kov in relation to foreign countries of the late 1990s, by the beginning of the third decade of the XXI century, became relevant for Russian sports.

Naturally, commercialization of sports has both advantages and disadvantages. The fact that sports attracts investments speaks of its social significance and prospects.

In this article, commercialization is considered on the basis of the domestic equestrian sport. Modern equestrian sport is considered one of the most expensive, aristocratic and complex Olympic disciplines. However, its popularity in the country is growing, which makes us turn to history and compare its former and the current status.

### **On the history of equestrian sport in Russia**

Horse riding is an integral part of Russian culture and can be considered one of the national sports in Russia. The art of riding goes back to the tsarist army, officer cavalry school. For a long time, including in Soviet Russia, equestrian sport and top riding schools existed almost exclusively in army clubs. Thanks to this, a distinct Russian riding school was formed, which included training in all areas of equestrian sports.

The high school of riding, or as it is called for short, dressage, combines elements of sport, science and art. Following effort-free and minimal commands of the rider, the horse must complete a program of the most complex elements, comparable to ballet or figure skating on ice. Over the years of training, the duet turns into a single whole, and each “rider-horse” combination of is unique. But even the most brilliant combination, with some exceptions, loses its meaning and cannot take place without a coach – a carrier and conductor of knowledge, who is assigned the role of a “choreographer”. Success in equestrian sports is determined by the unique “rider-horse-trainer” trinity – they must perfectly fit and match each other. In this equestrian sport is also similar to pair figure skating on ice or ballet. The formula is equally

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<sup>1</sup> National Olympic Committees.

applicable to other disciplines of equestrian sports, such as jumping (overcoming obstacles) and triathlon: the mandatory program show jumping, dressage and cross-country.

The equestrian sport in the USSR developed quite successfully, but in international competitions the leading positions were traditionally occupied by athletes from Germany, the Netherlands, Great Britain. The Olympic debut of Soviet equestrians took place in 1952 in Helsinki. According to estimates, the training of our athletes was not inferior to their foreign rivals, but the years of isolation of the country and ignorance of international rules did not allow them to show high results. A real sensation was the victory in personal dressage at the Olympic Games in Rome in 1960 by the Soviet equestrian athlete S. Filatov, who rode a horse of the Akhal-Teke breed named Absent. Portraits and photographs of this unique horse are now kept in the Museum of the Timiryazev Agricultural Academy. The legendary trainer G.T. Anastasiev, who had been training domestic equestrian athletes for a long time, believed: “in order to win in the West, we need to be twice as good.” The victory of the USSR dressage team (Ivan Kizimov, Ivan Kalita and Elena Petushkova) at the Olympics in Munich in 1972 was not only the best team result, but the culminating event in the history of Russian equestrian sports [Melent’ev, 2016]. The last significant national achievement was the performance of equestrians at the Olympics-80 – in the conditions of a political boycott and the absence of main rivals, it brought medals in all types of equestrian sports (dressage, show jumping and triathlon).

Successes in the development of equestrian sports in the 1970-1980s did not lead to further strengthening of the USSR's positions on the equestrian Olympic podium. After the sports careers of the riders of the “golden” Olympic teams ended, the situation of the Russian school of riding and equestrian sports in the country began to deteriorate rapidly.

### **Equestrian sport, state and market**

In the 1990s, domestic equestrian sport was going through difficult times. Socio-economic transformations had ambiguous effect on all three components of equestrianism: the career of a rider, the training of horses, coaching staff. Similarly to other areas of public life, the government sharply stopped financing, and private funds were not available until much later. As a result, previous leading positions were lost. At the same time, gradually commencing commercialization of equestrian sports changed trends of its development.

Riding skills are honed for a long time, and high performance results can appear when an athlete reaches the age of 30–40 years. According to the Soviet sport guidelines, by this time athletes were supposed to finish their career, although modern Olympic champions in equestrian sports are people of mature age. There are cases of successful performance at the Olympic Games by riders over 60. The emergence of private ownership on horses in Russia automatically removed age restrictions for riders, which became a positive factor for the development of equestrian sports in the country.

In Soviet times, there was also the practice of “transplants”. Even the Olympic champion could be left without the main horse – the coaching council could decide to transfer the horse to another competitor. In practice, such cases were infrequent, but they did occur. After the 1990s, riders increasingly lost their horses for purely economic reasons. In the Soviet period, all expenses related to the purchase and maintenance of horses, as well as their transportation to competitions, were carried out by the state. With the transition to the market economy, the entire training process became a personal matter for athletes and clubs. However, not every athlete or club can buy an international class horse, since its price is comparable to the cost of a racing car. The training of domestic horses has become problematic.

The disaster of Russian equestrian sport, which began at the turn of the century and has not been overcome to this day, is the shortage of qualified coaching staff. The tradition of transferring knowledge and unique riding skills was interrupted – after all, the task of training coaching staff was previously also controlled by the state.

The lack of state support, commercialization of services for keeping and transporting horses, the loss of qualified coaching staff, and the denial of domestic traditions so characteristic of the 1990s had a devastating effect on equestrian sport [Petushkova, 2021]. By the mid-1990s, little remained of the former successes of equestrian sports in the country: clubs were closed or disbanded, the state almost stopped funding for competitions. Throughout Russia, it was difficult to find thirty horses capable of completing the “Grand Prix” programs (i.e. dressage of the highest class) and performing at the Russian championship.

The equestrian sport was revived by the efforts of enthusiasts – representatives of the Russian Equestrian Federation (FCSR), horse owners and managers of large equestrian clubs. The arrival of private capital following improving market relations also played a positive role: the equestrian sports received sponsorship, opportunities for holding all-Russian and international competitions. In addition, interest from the state has partially returned. In the 2000s, such significant tournaments as the Cup of the Mayor of Moscow in dressage and show jumping and the Cup of the President of Russia in dressage were established.

At the turn of the century, private clubs appeared: Novy Vek, Pradar, Nizhny Novgorod Passage. The equestrian club KSK “Bitza” was reborn. Now it is hard to imagine, but the Nizhny Novgorod equestrian club of the international class “Passage” was established in the late 1990s on the site of a wasteland and a ravine-dump. Just as houses are built in Japan, a multi-meter recycled platform was constructed here to house a complex engineering structure – an equestrian parade ground and spectator stands. The idea of the name of the club “New Age” appeared even before the laying of the first stone and became prophetic: fifteen years later the club became a leader in terms of technical equipment.

The Grand International Equestrian Club “Pradar”, which appeared at the Moscow hippodrome, significantly increased the prestige of domestic equestrian sports by taking the initiative to host major

competitions. The advantages of the colossal equestrian club “Bitsa”, built for the Olympics-80 and revived at the turn of the century, include not only the presence of several equestrian stadiums, winter and summer stables and a hotel complex, but also a triathlon track, which is maintained in a satisfactory condition.

Everything that was achieved during these years was further developed and reinforced. Now we can say that equestrian sport in Russia is on the rise again. The number of trained horses is in the tens of thousands. There are many talented riders in the country, both among adults and among juniors, who successfully compete in Russian and international competitions. New equestrian clubs of the European level appear every year. Additional, new disciplines for Russia appeared: runs, diving (competition of crews), vaulting (gymnastics using a horse as a living moving projectile). It would seem that all conditions have been created for the success of Russian equestrian sport on the world stage and Olympic victories, but it is not so easy to catch up. So far, domestic riders have not been able to reach a high international level and occupy worthy positions in the international ranking.

### **Middle class sports**

Equestrianism abroad has traditionally been considered one of the aristocratic sports. It is still practiced not just by representatives of the nobility, but by the royal families, and it is they who have the main role in the FEI. The presidents of the Federation over the past few decades have been representatives of the British royal family Prince Philip, Duke of Edinburgh (1964–1986) and Princess Anne (1986–1994), the Spanish Infanta doña Pilar de Bourbon (1994–2006), the Jordanian princess Haya al Hussein (2006–2014) [FEI Presidents since 1921, 2021]. The FEI has a fairly conservative policy towards commercialization. The current President of the FEI, Ingmar de Vos (Belgium) – a professional sports manager – has become an exception to these rules and a symbol of change. Now all over the world, equestrian sport is supported mainly by representatives of the middle class. It is they who provide this expensive Olympic discipline with the necessary number of horses and athletes. Training a horse for international competition requires a time span of five years. This is a long marathon, associated with high costs and risks, which can only be sustained in conditions of financial stability.

Germany, a leader in the field of equestrian sports and horse breeding, achieved the best results here. In Germany, equestrian sport with high performance results is truly massive. At the moment, there are 1.1 million sport horses and ponies in Germany, about 1.2 million people regularly go in for equestrian sports. Moreover, the equestrians pay the costs associated with horses and participation in tournaments [The German Equestrian Federation ..., 2021].

In the USSR, enrollment in sports riding schools was strictly limited. Children who did not pass the competitive selection for age, health status and other indicators had no chance to join equestrian clubs. They had the opportunity to attend paid classes, but this led to transfer to sports groups in exceptional

cases only – unsuccessful applicants remained riding enthusiasts. Today entry-level equestrian sport in Russia is available to anyone who is can afford it.

As the President of the FKSR Marina Sechina confided, about 70 thousand people are currently engaged in horse riding in Russia. Of these, more than 15 thousand people are registered members of the FKSR, i.e. regularly competing athletes [Russian equestrian looks 2019]. According to the Ministry of Agriculture, private sports and leisure organizations operating in the form of clubs, sections, schools, complexes, individual and medium-sized enterprises and farms in Russia offer over 400 types of paid services. Sports and leisure horse breeding includes the use of horses in classical and national equestrian sports, in equestrian tourism, horse and carriage rental, as well as in other leisure and recreational activities. The estimated number of horses used for this purpose in our country in 2018 was only about 14 thousand heads (with a total of 1.4 mln horses in Russia, mainly related to productive meat and dairy and local breeds) – see Table. Considering the existing interest in equestrian sports, the number of horses in the sports and leisure sector may continue to grow by 2025 may reach about 45 thousand heads. The estimates by the Ministry of Agriculture link progress with a single indicator – the growth of the general welfare [Strategiia razvitiia konevodstva ..., 2019, p. 6].

Table

#### **Target indicators for the development of horse breeding until 2025\***

№	Index	2018	2019	2020	2021	2022	2023	2024	2025
1	Number of horses, thousand heads	1403,8	1424,8	1450,0	1471,8	1501,2	1531,2	1561,8	1600,0
2	The number of horses belonging to the breeds tested at hippodromes*, thousand heads	14,0	14,5	15,2	15,9	16,6	17,4	20,9	22,0
3	Sports horses, thousand heads	14,0	–	–	–	–	–	–	45,0

\* The number of horses belonging to the breeds tested on the hippodromes can be conditionally attributed to the breeds of horses suitable for use in sports, but the coincidence is incomplete.

Source: [Prilozhenie N 1 k Strategii razvitiia otrasli konevodstva ..., 2019].

A private lesson with a trainer and a hobby class horse, or even a horse with basic sports training, approximately equals in price the cost of an individual lesson in a luxury fitness club or dance school. Such payment is feasible for a family with an average income. To train beginners, horses are usually used that are of no value for the high performance sport. These are most often aged animals that never ranked high in competitions, the so-called horses for hire. When moving to the next level of sports training, the young rider's family is faced with the need to rent or buy a healthy, well-trained horse with athletic abilities. But this is not affordable to everyone who is officially classified as middle class in Russia.

#### **Sports, commercialization and personality**

There is an opinion that to win at international tournaments, and even more so at the Olympics, only athletic skills are not enough – one reason being the subjectivity in equestrian judging, as well as in evaluating figure ice skating performances. Not to forget that the evaluation criteria and requirements in

world practice change periodically. The historical challenge for domestic athletes is not only to technically perform as well as foreign rivals. It is also necessary to prove consistent adherence to the principles of the International Federation of Equestrian Sports and the international Olympic movement as a whole. Russian equestrians should become part of international equestrian sport, and only then it will be possible to talk about some kind of qualitative progress. So far they lag behind in many respects.

The equestrian federation played a decisive role in the development of equestrian sports in the USSR, all significant initiatives and decisions were made on its behalf. FSKR, which was formed in 1992, changed its approach from directive to indicative management methods. Its authority is quite high, but to unite more than 1.5 thousand clubs [Russia to Welcome the 2019 FEI, 2019], with their individual, disparate interests, in order to develop a common long-term strategy for the development of equestrian sports, does not seem possible. Difficulties arise long before the decision is made on the selection of the national team, or the venue for international and all-Russian competitions. Russian equestrian clubs can be considered as a community only with very big reservations. The backbone of equestrian sports, for example in Germany, are private horse owners, representatives of the middle class. In Russia, equestrian sports cannot rely on the middle class itself. Russian equestrians today are very wealthy amateurs, on the one hand, and low-income professionals, on the other. To equalize these two groups in rights and obligations is unacceptable, and to coordinate their actions is incredibly difficult.

Commercialization causes numerous collisions and conflicts which lead to truly paradoxical consequences. Assuming that the result depends on the amounts invested, Russian equestrians travel to train in Germany – to “borrow” knowledge from German masters, who are not intent on educating their own competitors. Moreover, the German riding school is very different from the Russian one: it promotes power techniques for working with a horse, while the domestic one involves a long process of “tuning” a horse, similar to the work of a violin maker. Riders and clubs buy enormously expensive fully trained horses in Germany, although stud farms remain in Russia and the scientific foundation for horse breeding and equestrian sports has been preserved. It should be noted that German horses, heavier, stronger, with natural stable movements and less sensitive to controls, are not quite familiar to domestic athletes. Russian riders displayed best results on domestically-bred horses. Russian equestrian athletes are often forced to train and live abroad, spending, for example, half a year in Germany. This is the only way to gain sufficient competitive experience of participating in major international tournaments. Although Russia has already built the infrastructure for holding the European and World Championships class competitions [Petushkova, 2021], there is no experience in organizing them.

A very specific situation in Russia can develop if an athlete – a member of the national team – owns the horse trained for international competitions. From a market point of view, a horse is an expensive commodity, and the rider can dispose of it at his own discretion at any time, regardless of the interests of the national federation and the Olympic Committee. A well-known example, which received a wide pub-



lic response, is when an equestrian (master of sports of the international class) sold her horse to a foreign rival a year before the Tokyo Olympics (there was no talk of canceling the Olympics due to the COVID-19 pandemic then). As a result, the Russian national team broke up, and Russian riders could only compete in individual competitions.

Despite the condemnation of such an act, the equestrians recognized the need for this rider to keep a stable of sports horses abroad. An athlete buys, maintains and trains horses, pays for veterinary services and for trips to international competitions at her own expense, at her own peril and risk, without financial support from the federation or the sports committee. From the market point of view, the sale of the horse was an expedient, logical and justified step. High achievements at the upcoming Olympics after the doping scandal were problematic, while immediately after the Olympics, the price of a horse, according to the laws of the market, will drop sharply. For the next Olympics (in four years), this horse might no longer be chosen due to age and health, and the proceeds can be spent on training several young horses. In such a case, it is quite difficult to draw the line is drawn between individual entrepreneurship and the interests of sports [Rossiiskaia vsadnitsa prodala ..., 2019].

Another side of commercialization is the decreasing pedagogical value of coaching. The coach, paid by the student or his parents, is more interested in providing the “client” with a pleasant pastime and quick success in meaningless club tournaments, than in high sports achievements. Often, having no other source of income, he finds himself in a dependent and even powerless position. Accordingly, he is more willing to please than to train. Where an appropriate standard of behavior has been developed in relation to a sports coach, perhaps such a situation could not take place.

Even the well-known practice of rewarding riders at domestic tournaments often plays a negative role. In order to attract qualified athletes, valuable prizes are offered, such as cars and even apartments. Having received such prizes in Russia, average athletes, by Western standards, lose interest and incentive to further progress and travel abroad to international competitions, knowing full well that abroad, in conditions of high competition, they can drop out of the competition at the very first stage.

### **Equestrian sport as a small business**

In the USSR, there was the only saddle and crew workshop that provided the few working equestrian clubs, as well as the Mosfilm film studio, with semi-handmade equipment. Ammunition and costumes, as well as horses, were then provided to the athletes by the state. According to the memoirs of Soviet Olympian equestrians, the only riding coat for performances (a uniform jacket in the style of a hunting suit) that was available in the Harvest sports club was given to male and female riders of different ages, heights and constitution, and the top hat was made to order in the workshop of the Bolshoi Theater from cardboard and collapsed under the first torrential rain. The national team traveled abroad to competi-

tions of different ranks, including the Olympic Games, with old worn headgear<sup>1</sup>, training and army saddles<sup>2</sup> that caused bewilderment in the West. Luckily, this did not affect performance results. Today Russian equestrians are looking with surprise at old photographs of Soviet athletes at international tournaments.

At present, the Russian equestrian sport has become a professional activity and a specific industry, which includes the production of goods and services, industry exhibitions, as well as mass media dedicated to horses and equestrian sports.

The preparation of sports horses for sale can be considered as a business with very big reservations, since long-term expenses for the maintenance, veterinary care and training of horses pay off in rare cases [Novitskii, 2016]. The profitability of an equestrian club as a sports organization in Russia is questionable. As a rule, the owner of a horse or a club earns money elsewhere to invest into equestrian sports. However, there is room for entrepreneurship here as well. The intermediary activity, such as the export of promising young Russian horses and the acquisition abroad (most often in Germany) of animals that already have a certain level of training, can be rather profitable. Private coaching can also generate some income, especially if the horses are not the coach's property.

Modern equestrian sport places high demands on the quality and appearance of equipment and dress for performances – such requirements were always strictly regulated by FEI rules. Usually a professional rider has several sets of equipment: for training and for performances, a separate saddle and bridle for each horse. Gym clothing must ensure training comfort and look smart during competitions, therefore equestrians generally spare no expense for the dress. A suit for equestrian sports is an element of luxury and prestige for professionals and amateurs, even specialized training clothes can be several times higher than the price of everyday clothes for the same rider. There are also many accessories that make it easier to work with a horse and keep it healthy; and every rider selects the equipment for the horse individually.

The number of equestrian clubs and riders in Russia is steadily growing, and, consequently, the demand for products of this kind is also growing. It is worth noting that equestrian accessories are still produced in Russia in very limited quantities and mainly come from abroad.

Shops selling equestrian equipment can be considered small businesses. According to E. Zhelezniak, the founder of the EquiVet network (shops for horseback riding enthusiasts), the volume of the horse ammunition market in Russia does not exceed \$20 million dollars. For small retail outlets operating in the low-price segment, the turnover is hardly higher than 15 thousand dollars per month. And in stores offering premium goods, it can be twice as much. According to the owner of one of the equestrian clubs near Moscow, the combined sales of stables equipment and horse ammunition may reach

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<sup>1</sup> A piece of equipment worn on a horse's head and used for steering. Consists of a belt system.

<sup>2</sup> Part of the horse's equipment, which is a cloth blanket that is placed under the saddle.

about 30 million dollars a year. For comparison: the size of the sports goods market in Russia, according to the Association of Sports Industry Enterprises, in 2007 amounted to 3.5 billion dollars (cited in [Kari-mova, 2008, p. 36]).

Twice a year in Moscow, the Sokolniki Exhibition and Convention Center hosts the “Equiros-Professional” International Equestrian Exhibition-Fair and Professional Conference, which is attended by tens of thousands of people. A similar event called “Hipposphere” is held in St. Petersburg. The purpose of the “Equiros” project is to create a basic industry platform for sharing experience in a professional environment, discussing developments in the equestrian industry and demonstrating recent achievements. The event is attended by manufacturers of equestrian equipment and gear, horse care products, by companies providing services in the field of horse breeding, horse shops, hippodromes, private clubs, factories, veterinary organizations. The exhibition and fair are designed for professionals in the equestrian industry and equestrian sports enthusiasts.

One of the authors and chief consultant of the project, A. Shaburov, comments on this event in the following way: “Equiros” appeared in 1998 and has grown from a small thematic exhibition into one of the most important events in the entire horse industry in Russia. Currently, it is supported by both well-known commercial companies and government agencies. Every year “Equiros” is attended by a large number of foreign specialists and representatives of iconic business structures, for instance, from the Netherlands (the Holland National Horse Foundation, and PAVO company, horse food manufacturer), Germany (the German Horse Industry association and LAAKE company, equestrian gear manufacturer), Great Britain (Neue Schule company, one of the most famous manufacturers of equipment for horses) and many others. “Equiros” has become not only a specialized event for professionals, but also a real horse show much-admired and family-friendly [Shaburov, 2017].

The only horse-related area that is purely commercial and extremely profitable all over the world, is a totalizator at horse races, which are not considered equestrian sports (at least Olympic disciplines). Riders and jockeys, like athletes, train horses to develop their better speed characteristics and endurance. The horses that took part at the hippodrome races can later be used in sports. However, this area has nothing to do with sports, it develops according to its own laws and principles. From an organizational point of view, hippodromes are under the jurisdiction of the Ministry of Agriculture, and equestrian sports are under the jurisdiction of the sports committee and the Russian Olympic Committee. Nevertheless, there have been proposals to combine these two areas in order to support high-performance equestrian sports, since commercialization has brought them closer.

### **Commercialization and adaptive equestrianism**

In recent years, Russia has increased attention to adaptive sports or sports for people with disabilities. Consider the positive dynamics of the following statistical indicators: the proportion of people with

disabilities systematically involved in sports increased from 3,5% in 2012 to 19,4% in 2019; the proportion of facilities suitable for adaptive sports increased from 18.7% in 2015 to 30,4% in 2019; the average annual growth rate in the number of trained specialists in the field of adaptive physical culture and sports for 2012–2019 amounted to 18% [Rasporiazhenie pravitel'stva ..., 2020, p. 9]. The changes in equestrian sports as a whole reflects the general trends in Russian sports. As a result, the adaptive equestrian sport in Russia has recently reached a qualitatively new level.

Hippotherapy is a widely known and well-established method in the treatment of diseases associated with disorders of the musculoskeletal system and especially cerebral palsy. Dr. Med. Sci. Noemi Semyonovna Robert, previously a doctor of the USSR national equestrian team, created one of the first hippotherapy groups at the Central Moscow hippodrome. Her son, a well-known theater and film actor D. Pevtsov, also participated in the sponsorship program to support adaptive equestrian sports. Today in Russia, Paralympic equestrian dressage is developing at a high pace.

Hippotherapy and Paralympic equestrianism exist and are accessible to a large number of people with disabilities due to the improvement in the market mechanism. As a rule, such riding lessons involve a sponsor's contribution or the trainees' own funds, and this mechanism, as practice has shown, is quite effective.

Paralympic equestrian sport in Russia is relatively successful. High results are shown by professional riders who have previously received sports injuries. There are no restrictions on their participation in international competitions. At the same time, they bear no less financial costs and physical exertion than ordinary riders, and some also independently train horses.

### **Conclusion**

Russia has a long-standing tradition of equestrian sports, a legacy of both the tsarist and Soviet eras. The efforts of domestic equestrian athletes and equestrian sports enthusiasts supported this discipline during the difficult transitional period of the 1990s and contribute to its rise at the present time.

The penetration of market relations and commercialization have had an ambiguous effect on the development of equestrian sports in Russia. On the one hand, they provided an influx of capital, made equestrian sport more widespread and accessible, created conditions for the development of non-Olympic, as well as adaptive and Paralympic sports. Riders now have opportunity for foreign internships and the purchase of horses abroad, the supply of goods and services for equestrian sports has improved. On the other hand, the strengthening of commercial relations contributed to the development of amateur equestrian sports in Russia to a greater extent than sports of higher and Olympic achievements. Similar processes can be traced in many other sports.

At the same time, there are basic areas that are vital for equestrian sports, which go beyond the scope of the federation and are not within the competence of the Olympic Committee or sports commit-

tee. These include, first of all, horse breeding and initial sports training. These tasks cannot be achieved only with the help of commercial funding. The government in Russia historically was and remains the largest sponsor of sports. If the performance results in equestrian sports are to be considered a national interest, then the need for the state involvement in equestrianism should be recognized. First of all, the state could help to develop and implement an effective long-term program for equestrian sports and assistance to the domestic horse breeding industry, including the creation of Olympic training centers, training of coaching staff and relevant managers of the international level.

In Germany and the Netherlands, equestrian tournaments are very popular and attract thousands of spectators. In Russia, equestrian competitions currently do not have such a wide audience. Attempts to attract fans were made at the turn of the century, when the cups of the Mayor of Moscow and the President of Russia in higher education and show jumping were held for the first time. These attempts must continue for the foreseeable future. A significant achievement today is the existence of an industry press and a dedicated TV channel "Horse World". At the same time, one should keep in mind the example of those sports in which competitions have already become mass events with a large army of fans. Competitions in this case, as a rule, turn into a kind of show with all the features inherent in modern show business: advertising, selling rights to participate and broadcast competitions, etc.

Over the past twenty years, the commercialization of sports around the world has grown significantly. The cost of organizing major competitions in all sports (especially championships and the Olympics) and the cost of high-performance sports has increased, too. Therefore, sport needs external sponsors, usually large corporations.

When large corporations sponsor competitions, it is easier for the event to obtain broadcast rights, and this expands the audience. In turn, sport is a good promotion and advertising, as it attracts a mass audience. Sponsor logos are incorporated in the design of sports tournaments, individual athletes and entire teams wear their logos on uniforms. According to the apt remark of experts from the British broadcasting corporation BBC, the interaction of sports, sponsors and the media forms a "golden triangle", where each of the parties is interested [Commercialization in sport, 2021] and reaps its own benefit. However, we should not forget about socially significant aspects. Media coverage of sports events plays a positive role by increasing the motivation of people to go in for sports, promoting a healthy lifestyle, demonstrating sports skills and achievements, popularizing various sports, attracting investments and participants. The flip side is manifested in a potentially limited or biased reporting of facts, a decrease in attendance at real events, interference with the privacy of participants, etc. This is the reason why recently, both in Russia and abroad, a negative attitude towards the commercialization of sports has been on the increase.

In 2015, sociologists in the USA surveyed the attitude of American fans towards sponsorship in sports, namely, the increased influence of large corporations. The study revealed that the commercialization of professional sports is perceived by respondents as a problem, no matter what sport was consid-

ered: more than 80% of respondents reported that the commercialization of professional sports is excessive. At the same time, young people aged 18–35 years were less sensitive to this phenomenon. The reason, according to the authors of the survey, is that people in this age group never knew any other period without corporate sport influence, unlike respondents of older age groups [Trachsler, De Garis, Dodds, 2015, p. 85–86].

The professional community is gradually coming to the realization that the current scale of sports commercialization is excessive. One of the tasks of the IOC is to “to oppose any political or commercial abuse of sport and athletes” [Olympic Charter, 2019, p. 13, item 2.11]. However, in practice, cases of restrictions on such activities are quite rare.

The commercialization of sports is a reality that cannot be avoided in the foreseeable future. It is only possible to minimize the negative consequences of commercialization by improving the regulatory activities at the level of governments, national and international professional communities, as well as by maintaining the moral and ethical principles of fair competition at all levels and in all sports.

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# YESTERDAY AND TODAY

## THE SYSTEM OF CONSUMER RIGHTS PROTECTION IN RUSSIA: ON THE 30TH ANNIVERSARY OF THE ANTIMONOPOLY AUTHORITIES IN THE RUSSIAN FEDERATION (REVIEW)



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**Abstract.** *The system of consumer rights protection has become an integral part of life in Russia. The article presents a brief history of the consumer movement and consumer law, as well as the formation and main elements of the national system of consumer rights protection in the Russian Federation in the late 1990s.*

**Keywords:** *consumer rights protection; antimonopoly institution; consumer law; national consumer protection system*

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## **Introduction**

The year 2020 marks the 30th anniversary of the Russian antimonopoly authority that is inextricably linked with the establishment of the consumer protection system in Russia.

The struggle of consumers for protection of their rights and interests lasts more than one decade. The homeland of the consumer protection movement is the United States. Founded in 1891 in New York, the Consumers' League became the prototype of modern consumer organizations. During the Great Depression, the consumer movement in the United States grew significantly.

After the Second World War, the consumer movement spread widely in Western Europe and Japan. The economic growth and resumption of mass consumption have led to awareness of the issues associated with consumption. Market launch of numerous products, sometimes improperly labeled and unsafe, misleading advertising, pressure from monopolies, blurring of responsibility in case of incidents – all this required the establishment of new structures and regulation [Le Tavernier, 1998, p. 13].

## **Consumer protection and consumer law structures**

In 1954, the Netherlands Consumer Association was founded, becoming the first consumer organization on the European continent. In 1960, a small group of national consumer organizations established the International Organization of Consumers Unions, which provides international cooperation and coordination of consumer organizations from different countries. In the year of its foundation, it united 21 national consumer organizations from 18 countries. Today Consumers International includes 240 member organizations from 120 countries<sup>1</sup>.

Various consumer unions have been created in the United States and Europe since the beginning of the 20th century, but the adoption of consumer law is linked to the date of March 15, 1961. On this day, US President John F. Kennedy, in his special message to the Congress, pointed out the need for state protection of consumers, describing them as an economic force: “Consumers, by definition, include us all. They are the largest economic group in the economy, affecting and affected by almost every public and private economic decision. But they are the only important group in the economy who are not effectively organized, whose views are often not heard”. A year later, in 1962, the president introduced Consumer

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<sup>1</sup> The International Confederation of Consumer Societies (Konfop) was elected to the Council of the Consumers International // Rospotrebnadzor. News. – 2015. – 04.12. – URL: [https://www.rospotrebnadzor.ru/about/info/news/news\\_details.php?ELEMENT\\_ID=5349](https://www.rospotrebnadzor.ru/about/info/news/news_details.php?ELEMENT_ID=5349) (date of access: 23.08.2020).

Bill of Rights to the Congress, where he named four basic rights of consumers: the right to be informed, the right to choose, the right to safety and the right to be heard [Voinikanis, 2013, p. 56].

Consumer law was a result of the search for a balance of interests between professionals (manufacturers and vendors) and consumers. These efforts gradually turned into an independent and separate activity. First of all, consumer protection was associated with the protection of common interests or the protection of competition. Within this concept, the first legislative initiatives were aimed at protecting public health (in the field of food products and pharmaceuticals), at ensuring the availability of essential services (electricity, water, transport, banking and insurance services), at controlling the price level of certain goods and services, and also at suppressing certain trade practices that violated the normal conditions of competition [Proposition 1995, p. 1].

The rising consumer movement forced the adoption of consumer protection laws in many countries. As early as 1968, the law guaranteed the rights of Japanese citizens to protection against physical and material damage received during the use of an acquired product; on a comprehensive and accurate knowledge of real properties of goods and services, etc. In Sweden, since 1970, the laws “On trade practices” and “On contractual conditions” have been applied. The similar trade practice legislation was adopted in Norway (1972), Denmark (1975) and Finland (1975) [Ivanova, 2005, p. 281].

In the last quarter of the 20th century, consumer protection was recognized at the supranational level. The Treaty establishing the EEC, known as the Treaty of Rome, signed in 1957, contained virtually no provisions that would directly relate to the protection of consumer rights. It took considerable time to realize the importance of consumer protection as the weakest link in dealing with business. First, general program documents of the EEC institutions in the field of consumer protection appeared, and then legislative acts in the form of EEC Council directives. In 1973, Consumer Protection Advisory Committee (CPAC) was established within the framework of the EEC Commission. Officially, the consumer protection policy within the EEC was created simultaneously with the adoption by the EEC Council of Ministers in 1975 of the first program for the protection of consumer rights, which confirmed the rights of consumers to protect health and safety, to protect economic interests, to compensate for damages, to receive information and education, as well as to have representation [Perminova, 2006, p. 13].

In late 1980s, consumer rights were almost completely recognized in the legislation of developed countries. Basically, they were based on the “Guidelines for consumer protection” approved by the UN General Assembly (Resolution No. 39/248 of 04/09/1985)<sup>1</sup>, which recognized eight consumer rights: on the safety of goods; on information; on the choice of goods; on representing consumer interests; on satis-

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<sup>1</sup> Guidelines for consumer protection. (Adopted on April 9, 1985 by Resolution 39/248 at the 106th plenary session of the UN General Assembly) // Tekhekspt. – URL: <http://docs.cntd.ru/document/902300274> (date of access: 26.06.2020).

fying basic needs; on compensation of damages; on consumer education and awareness; on healthy environment.

### **Protection of consumer rights in the USSR and Russia at the end of the 20th century**

The institutions of legal consumer protection in Russia offered forms and methods of protection that corresponded to the specific historical conditions of the state during that period. Consumer protection initially evolved on the basis of sales contracts, service and work contracts, as well as on the basis of analysis of trading practices in general. Only at the end of the 20<sup>th</sup> century there appeared concepts of consumer rights protection as a socially unprotected category, which indicates that the idea about the priority of consumers is gradually accepted by the society [Bunina, 2008, p. 151].

In the USSR, buyers had some rights, but there were no effective civil law mechanisms for their protection [Bogdan, 2015, p. 30]. Despite the norms of the Civil Code and by-laws, in the USSR there was no legislative act specifically dedicated to the protection of consumer rights. The need to adopt a special law regulating producer-consumer relationships was repeatedly raised by Soviet legal scholars [Alymov, 2017, p. 129].

Based on the experience of foreign countries, Soviet scientists proposed concepts for the creation of domestic human rights legislation. For instance, G. Anashkin and Ya. Partsy came up with a proposal to adopt the USSR Law on Standardization and Metrology, outlined its structure and content [Lepeshkina, 2014, p. 89]. An important attempt aimed at optimizing the legal regulation of consumer rights was the 1988 draft law “On product quality and consumer protection”, but it was not adopted [Nauzhdina, 2009, p. 144].

The adoption by the Supreme Soviet of the USSR of the Decree “On the Concept of Transition to a Regulated Market Economy in the USSR”<sup>1</sup> marked the beginning of economic reforms, which name free competition and the fight against monopolization as the main tasks of emerging market relations [Gagarina, Kniazeva, 2020, p. 12]. In 1990, the Council of Ministers of the USSR recognized that the consistent implementation of economic reforms and progressive transformations in the national economy were hindered by tendencies to monopolization. An attempt to develop an antimonopoly law and a program for the demonopolization of the Soviet economy was made in the Decrees of the Council of Ministers of the USSR of August 16, 1990 N 835 “On measures to demonopolize the national economy”<sup>2</sup> and of August 8, 1990 N 790 “On measures to create and develop small enterprises”<sup>3</sup>. These documents provided for a wide range of measures to transform existing monopoly structures, to demonopolize the sphere of man-

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<sup>1</sup> The Decree of the Supreme Council of the USSR dated June 13, 1990 N 1558-1 “O kontseptsii perekhoda k reguliruemoi rynochnoi ekonomike v SSSR” // Vedomosti SND USSR and Supreme Soviet of the USSR. – 1990. – N 25. – Art. 464.

<sup>2</sup> Sbornik postanovlenii SSSR. – 1990. – N 24. – Art. 114.

<sup>3</sup> Ibid. – N 19. – Art. 101.

agement and planning, to promote competition in industry, trade and other sectors of the economy [Kniazeva, 2006, p. 189–191].

The transition to market conditions, liberalization of the economy and privatization determined the need for new rules to regulate markets and economic processes. Such rules were to form the basis of state antimonopoly policy that would be enforced by the Antimonopoly Committee of the USSR. New approaches were also described in the USSR Law of May 22, 1991 N 2184-1 “On Protection of Consumer Rights”. This is the first legislative act in the Russian history aimed at regulating and protecting the rights of consumers of goods, works and services, which not only specified the rights of consumers, but also outlined the mechanism for their implementation. The law contained many provisions not developed by Soviet civil law [Netsvetaev, 2000, p. 15].

Due to the tectonic political changes that led to the demise of the USSR, the Antimonopoly Committee of the USSR was never created. Nevertheless, the functions, authority and main tasks described in the documents of the final period of the Soviet era formed the basis for setting up antimonopoly institutions in almost all states of the post-Soviet space [Gagarina, Kniazeva, 2020, p. 12]. The Law on the Protection of Consumer Rights of the USSR from January 1, 1992 and the provisions of this act never came into force due to the collapse of the Soviet state [Bogdan, 2015, p. 33].

In 1992, the domestic consumer market, almost completely destroyed by the end of 1991, gradually began to recover. But the changes were discouraging: the Russian market was filled with cheap and low-quality foreign-made goods. For many reasons, including low legal awareness, many consumers failed to appeal to the judicial authorities for protecting their violated rights [Ibid.]. Goods manufacturers, trade and service organizations, as well as other entrepreneurs, using their position in the consumer market, began to dictate unfavorable conditions to consumers, violate their rights and interests. The classical civil legislation that existed at that time was not designed to regulate consumer rights [Kommentarii k Zakonu ..., 1997, p. 10–11]. The objective need to protect consumer rights required an appropriate national legislative system in Russia.

The first document regarding consumer rights protection as one of the priorities of the state antimonopoly policy was the Decree of the Council of Ministers of the RSFSR of September 10, 1990 N 344 “Issues of the State Committee of the RSFSR on anti-monopoly policy and support of new economic structures” (together with “Provisional regulation on the State Committee of the RSFSR on antimonopoly policy and support of new economic structures”)<sup>1</sup>. That resolution established the Council for the Study of the Consumer Market and Consumer Rights Protection as a consultative and advisory body under the State Committee of the RSFSR on Antimonopoly Policy and Support for New Economic Structures (SNES).

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<sup>1</sup> Sbornik postanovlenii RSFSR. – 1991. – N 2. – Art. 12.

Active work on modern consumer protection legislation began in 1992, with the transition to a new economic model. This process was characterized by the adoption of a large number of laws and regulations governing relations between consumers and sellers (manufacturers, vendors). An important milestone in creating the state system of consumer rights protection is the adoption of the Law of the Russian Federation “On the Protection of Consumer Rights” in February 1992. The fundamentals of consumer protection in the Russian Federation were also legitimized in the Constitution of the Russian Federation (1993), the Civil Code of the Russian Federation (1996) and the Criminal Code of the Russian Federation (1996). A number of aspects related to the protection of consumer rights were taken into account in the laws “On Certification of Products and Services”, “On Standardization”, “On the Uniformity of Measurements” and a number of others. It should be noted that the approval by the Russian government of special social consumer rights guarantees served another important purpose: indirectly, this initiated increased, more socially responsible competition among business entities, which largely contributed to the formation of a developed commodity market [Alymov, 2017, p. 129].

By the beginning of the XXI century in Russia, consumer rights legislation was created that took into account the specifics of individual sectors of the consumer market. Important and large-scale issues were finally resolved: providing consumers with the necessary and reliable information about domestic and imported goods in Russian; formation of rules and customs of business practices on the basis of the consumer legislation in trade and in the provision of some services; bringing contracts and warranties of large domestic and foreign companies in line with the Russian legislation. To a large extent, issuing cash receipts and other documents confirming the purchase was finalized. The pre-trial resolution of disputes between consumers and other market participants became a firmly established practice. Expertise and comparative testing of the most important consumer goods became popular. Consumer culture awareness and education, especially among younger generation, became widespread. Legislation in the field of quality, including the safety of products and services, became more elaborate and detailed.

### **National consumer protection system**

Initially, consumer protection in Russia developed mainly as the control of oversight authorities over goods manufacturers. At the same time, the public movement of consumers expanded. However, it was soon clear that consumer organizations alone are not able to solve the problem of protecting consumer rights. First of all, they lacked necessary powers and stable financing. Moreover, in addition, many Russian commodity markets at that time were monopolies. The mentality of the domestic consumer should also be taken into account: people had no experience in dealing with entrepreneurs in market conditions, and many independent economic entities of various types of ownership.

Consumer rights protection stayed within the competence of the antimonopoly authority, in fact, it was a priority area of antimonopoly policy, which involved monitoring manufacturers’ compliance with

the fair trade in the interests of consumers. After the adoption of the Law of the Russian Federation “On the Protection of Consumer Rights” (1992), the State Commission on Antimonopoly Policy (SCAP) and its territorial departments focused on solving the following tasks:

- development and improvement of consumer protection legislation;
- setting up state and municipal structures involved in the protection of consumer rights;
- coordination between the SCAP of Russia and the executive authorities involved in the protection of consumer rights at the federal and regional levels;
- development of law enforcement and judicial practice.

By far the most acute problem during the transition period was that the old rules of the administrative-command system, were canceled quickly, and the new rules were yet to be introduced. In addition, the economy needed time to adjust to the new conditions [Sovremennoe razvitie potrebitel'skogo zakonodatel'stva ..., 1995, p. 15–16].

National consumer protection policy has taken a strong position in the socio-economic transformations taking place in Russia. It was closely linked to economic and legal reforms, institutional transformations, the development of competition, and also took into account the impact on the consumer market [Viatkina, Osipova, 2002, p. 105–106].

The organizational basis of the state consumer policy is formed in accordance with the legislation on the national system of consumer rights protection – a set of federal executive bodies, local governments, public associations of consumers. The elements of the system carry out the whole range of work on the formation and implementation of national policy in the field of consumer protection at the national, regional and local levels. However, this is not the full list of structures involved in the protection of consumer rights. The listed elements are a reflection of the complex nature of consumer legislation, consisting of regulations and individual legal norms of various branches of law: federal, administrative, civil, criminal, etc. [Levshina, 1994, p. 3–4].

In the comments to the Law of the Russian Federation “On the Protection of Consumer Rights”, prepared by a team of scientists who took part in its development, the legislation regulating consumer protection issues is characterized as a large array of normative acts of various levels. This legislation contains the norms of various branches of law (constitutional, administrative, civil, criminal, environmental, etc.) [Zakon o zashchite prav potrebitel'ei. Kommentarii ..., 2004, p. 40].

A.A. Railian writes: “the structure of consumer legislation is multilevel and therefore the relations regulated by this legislation are, by their legal nature, ambiguous”. Relations covered by the Law of the Russian Federation “On Protection of Consumer Rights” can be divided into several groups.

The first group includes *civil law* property relations between consumers and manufacturers, performers, importers, vendors (at the stages of purchasing and selling goods, manufacturing and performance of services). The second group is *public-law* relations, mainly administrative, arising in the process

of exercising federal oversight in the field of consumer rights protection by an authorized federal executive body. The third group covers *local self-government (municipal)* relations that arise in the course of the implementation of consumer protection by local governments. And the fourth group – *social and legal relations* – refers to protection of consumer rights by public associations of consumers (their associations, unions) [Railian, 2017, p. 67].

The limited format of a journal article does not allow a detailed analysis of the system. The activities of federal executive bodies are regularly covered in the mass media, in special literature, and in state reports. It is only appropriate here to note several key points, without which effective protection of consumer rights is impossible. Primarily, this refers to interdepartmental interaction and the functioning of the system at the regional and especially at the municipal level.

As was noted in the State report “Protection of consumer rights in the Russian Federation in 1994”<sup>1</sup> the work to create a system of consumer protection in the regions requires drastic measures, taking into account local conditions and coordinated actions relevant authority structures. To this end, work was launched in the regions to create regional programs to protect the rights of consumers. In 1994, such programs were adopted in 10 regions, and in five more regions these programs were under development.

In the years that followed, the work continued. In 2018, regional consumer protection programs were approved in 51 constituent entities of the Russian Federation. Six of them provide financial support for these programs<sup>2</sup>. In 2019, policy documents for consumer protection were approved and are already being implemented in 84 constituent entities of the Russian Federation. However, only 21 constituent entities agreed to finance these programs<sup>3</sup>.

The antimonopoly authorities paid great attention to the formation of a consumer protection system at the municipal level in order to ensure that the system is consumer-oriented. The Consumer Rights Protection Act gave these bodies significant powers. However, the legislation did not directly oblige local governments to ensure the protection of consumer rights. An alarming trend towards a reduction in the number of local administrations involved in consumer protection was observed in the next few years. At the same time, those who continued this work, provided a lot of assistance to consumers in resolving their complaints, consulting, and legal protection.

Local self-government bodies actively promoted legal education, carried out information and promotion work, including programs on local radio channels, publications in the press, and lectures in educational institutions and in factories. Regularly, during the World Consumer Rights Protection Day (March

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<sup>1</sup> Zashchita prav potrebitel'ei v Rossiiskoi Federatsii v 1994 godu : Gosudarstvennyi doklad. – Moskva : SCAP RF, 1995. – S. 27.

<sup>2</sup> Zashchita prav potrebitel'ei v Rossiiskoi Federatsii v 2018 godu : Gosudarstvennyi doklad. – Moskva : Federal'naya sluzhba po nadzoru v sfere zashchity prav potrebitel'ei i blagopoluchiiu cheloveka, 2019. – S. 184.

<sup>3</sup> Zashchita prav potrebitel'ei v Rossiiskoi Federatsii v 2019 godu : Gosudarstvennyi doklad. – Moskva : Federal'naya sluzhba po nadzoru v sfere zashchity prav potrebitel'ei i blagopoluchiiu cheloveka, 2020. – S. 39–40.

15), hotlines and consultations are open to the citizens. Seminars for entrepreneurs working in various sectors of the consumer market have become a tradition.

The lack of funding was the main constraining factor for the development of independent structures for the protection of consumer rights in local governments. As a result, the residents of administrative centers received much better protection compared to people in remote areas. But even in this form, the activities of consumer protection specialists significantly improve legal protection of consumers. To assist consumers living in villages and remote settlements, an institution of consumer rights commissioners under local rural administrations was created, whose main task is to identify violations and inform district administrations in order to take measures to eliminate them, as well as to provide consultations to consumers.

One of the state reports to the government, the Ministry for Antimonopoly Policy and Entrepreneurship (MAP Russia – transformed from the SCAP) notes that regional consumer rights protection specialists arrange trips to remote areas to consult local population (this approach was used, in particular, in the Murmansk region). It was proved that the activities of local self-government bodies to protect the rights of consumers help to increase the activity of the population. Thus, an analysis of the appeals received by the local self-government bodies in the Krasnodar Region showed that a significant part of them (86,6%) was generated in the municipalities, which have their own consumer-awareness departments<sup>1</sup>.

The range of appeals from consumers to local self-government bodies is expanding. At the same time, work in some sectors of the consumer market was complicated by the subordination to one executive body (in particular, this concerned municipal housing and communal services enterprises).

On January 1, 2005, a new version of Art. 44 of the Law “On Protection of Consumer Rights” came into force. This Article reduced the powers of local governments in the consumer market. In particular, they were deprived of the right to suspend the sale of goods in cases where they were not accompanied by reliable and sufficient information, or with expired life, or without expiration dates, if such dating is mandatory. In fact, the powers of local governments in the consumer market were reduced to the zero [Railian, 2017, p. 68]. Consumer protection issues were not taken into account in the Federal Law of October 6, 2003 N 131-FZ “On the General Principles of Local Self-Government in the Russian Federation” and, as a result, were not included in the charters of municipalities, urban and rural settlements.

On December 8, 2016, parliamentary hearings were held in the Federation Council of the Russian Federal Assembly on the topic “On ways to improve consumer protection legislation”. The speakers expressed deep concern over the current situation in the municipal consumer market. The adopted recommendations emphasize that the national consumer protection policy includes not only state, political and

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<sup>1</sup> Zashchita prav potrebiteli v Rossiiskoi Federatsii v 2002 godu : Gosudarstvennyi doklad. – Moskva : MAP Rossii, 2003. – 274 s.



social activities, but also the activities at the level of local self-governments aimed at improving the overall quality of life [Ibid., p. 69].

The system of consumer protection with no reference to the municipal level minimizes the ability of consumers to receive the necessary free assistance. Instead of reaching for their municipal administration, consumers have to turn to public consumer associations that offer commercial paid services. And in remote areas, the consumer remains unprotected.

### **Public consumer associations in Russia**

The Russian consumer movement officially became an organization in 1988: in September, the Leningrad Consumer Club was created. A year later, the Federation of Consumer Societies of the USSR (FOP) was established with 40 consumer organizations as members. Soon after, more than 30 Russian consumer organizations joined the Consumer Union of the Russian Federation (SP RF). A significant role in the formation and development of the consumer movement in those years was played by the newspapers “Soviet Trade” and “Izvestia”, the weekly “Nedelya”, the magazine “Standards and Quality” [Kravchenko, 2009, p. 20]. In February 1992, at the 3rd FOP Conference, the delegates decided to reorganize the FOP of the USSR into the International Confederation of Consumer Societies (ConfOP) [Baitenova, 1992]. These public associations focused on participating in preparing legislation in the field of consumer protection, on scientific and analytical work, on conducting public campaigns, as well as on developing, together with state authorities and the business corps, a strategy for resolving urgent issues of consumer protection.

The developing consumer market caused the formation of public organizations aimed at protecting consumers, according to the industry principle. In the Altai Region in 1994, the Society for the protection of consumers of medical services was organized. In 1998, the Society for the protection of consumers of educational services was registered in Moscow; in the Ivanovo region – a public organization of consumers of communal services.

Public associations were acting in another area: consumer education. The Volgodonsk Consumer Association, the Penza Consumer Union, the Tula Consumer Society, etc. actively participated in consumer-awareness campaigns. Since 1992, ConfOP has been publishing the journal “SPROS” (demand) (which is also distributed outside of Russia), which published the results of their own comparative tests of consumer goods. The publication came out for a record long period for the post-perestroika era – 19 years. Over the years, “SPROS” has conducted more than 8 thousand (!) tests of products and goods.

Already in 1994, the SCAP noted the great work of public organizations in educating and consulting consumers, protecting their rights, including the judiciary support. The leaders of regional societies were included in the Interdepartmental Council for the Protection of Consumer Rights. In order to provide assistance to consumer organizations SCAP initiated appeals to the government, and on August 26, 1995,

the Decree of the Russian Federation N 837 “On support for the public movement on protecting consumer rights” was adopted.

The objective prerequisites for the unification of professionals in the field of consumer protection led to the establishment in 1996 of the All-Russian League of Consumer Defenders (VLZP) that consolidated efforts to develop and implement an effective state policy in this area.

## Conclusion

The turn of the century brought marked changes in state consumer protection policy. In 2004, consumer protection issues were singled out as a separate area of state control activities and transferred to the Federal Service for the Oversight of Consumer Protection and Welfare. This clearly manifests that the paternalistic policy in this area was rejected. The center of gravity has shifted from administrative forms of consumer protection towards judicial protection of their rights by consumers themselves. And that's a completely different story.

Nevertheless, the approval by the state of special social guarantees for the observance of consumer rights marked the beginning of increased competition among business entities, increased their social responsibility, which largely contributed to the development of a developed commodity market. Also, an independent, domestic, largely ideological system of legal regulation of relations was developed, which focuses on the rights and interests of a consumer as a special participant in the goods and services market [Bogdan, 2015, p. 35].

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## CONSUMER LENDING IN THE MODERN CONSUMER SOCIETY: PROBLEMS AND CONSEQUENCES



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**Summary.** *Consumer lending is considered as a fundamental institution of the modern consumer society, which accelerates investment in consumption and expands the household debt model of consumption. The factors of rising consumer lending and the impact of consumer loans on the economy and public welfare are analyzed. Consumer lending in Russia is discussed in the context of related problems and risks.*

**Key words:** *consumer society; customer credit; debt model of consumption; credit debt; public welfare.*

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## **Introduction**

Living in debt has become an integral part of modern society that is focused on mass consumption and the corresponding value system. Consumer loans are in great demand all over the world. The debt model of consumption, when people spend more than they earn, is typical of both industrialized countries and many emerging market economies, including Russia.

Consumer loans are one of the main products offered by financial institutions to the population. They play an important role in stimulating consumer demand, which has a positive effect on the dynamics of trade and production. Consumer loans allow people to purchase goods and services that are not available to them at their current level of income. However, consumer lending is associated with a number of acute socio-economic problems and risks that directly affect the welfare of consumers.

### **Credit as a fundamental institution of the consumer society**

The consumer society and individual *consumption fetishism* emerged in the middle of the last century, as a natural consequence of the developing market relations. Economic and technological progress led to mass production of consumer goods and to the emergence of a new model of society. Mass production made it possible to involve not only the wealthy strata, but almost all segments of the population in active consumption. Individual consumption has gone beyond meeting basic human needs (in housing, clothing, food, etc.), has ceased to be a way of physical survival and transformed into a tool for social identification and social status. Objects act as conventional signs that demonstrate differences between people, wealth and belonging to certain social groups. The life cycles of manufactured household and technical goods are shrinking, new generations of products, appliances, and “gadgets” are replacing each other faster and faster. Simultaneously with the rapid changes in the world of things, the needs of people are also rapidly expanding [Bodriar, 1999, p. 7]. The goal of creating things that satisfy human needs is giving way to the goal of continuously creating new needs for the individual [Ovsiannikov, 2011, p. 223].

The role of the consumer in the economic system is changing radically. According to the famous French scientist J. Baudrillard, modern society increasingly needs people as consumers, and not just as employees and investors [Baudrillard, 1998, p. 83].

Consumer lending accelerates the rate of consumption. For people, consumer loans are attractive primarily because they help to bridge the gap between the desired standard of living and real incomes [Nivorozhkina, 2014, p. 77].

Baudrillard believes that credit is “not just an economic institution, but a fundamental dimension of our entire society, its new ethics” [Bodriar, 1999, p. 172]. Credit offers to satisfy desires, ease access to wealth and enjoyment, credit “is, in fact, a systematic socio-economic training in enforced saving and economic calculation for generations of consumers”. “Credit is a disciplinary process of the extortion of savings and the regulation of demand, just as wage labour was a rational process of extortion of labour power and increases in productivity” [Baudrillard, 1998, p. 82]. In a consumer society, both producers and consumers are motivated to develop. Producers try to improve the goods and services they produce, which is the basis for the economy growth, and consumers strive to earn more in order to buy more, and are thus encouraged to work.

In the consumer society where things on sale, each person has, firstly, the right to independently make a choice about acquiring a particular thing, and, secondly, preferential opportunities to pay for the purchase with a loan. The use of credit is considered as one of the economic rights of an individual as a consumer and as a citizen. Any restriction of credit on the part of the state is taken by society as an infringement of freedom [Bodriar, 1999, p. 169]. Moreover, the possibility of acquiring goods on credit is one of the most important motivations for the purchase.

For a long time buying on credit was perceived as a “moral danger”, and paying for a purchase on the spot was among the “bourgeois virtues”. Gradually, this perception of credit began to change, and today credit has become an integral part of modern life. The greatest resistance to the expansion of credit was observed among small owners, who are especially strongly committed to traditional ideas about saving and preserving property [Ibid., p. 170].

Buying on credit allows people to start using things before they become their property. Previously, the sequence was directly the opposite: in order to use something, people had to become owners first. Today, things are redeemed in installments, and people get used to using them as owners. However, the fear to fail debt obligations puts pressure on the psyche of the buyer, since only after full payment for the purchase it becomes buyer’s property. When buying on credit, things are always ahead of the buyer: by the time he pays the last installment on the loan and becomes the owner, new, more prestigious and attractive models of the previously purchased item will go on sale [Ibid., p. 171].

A new morality arose, which Baudrillard called “the morality of anticipatory consumption in relation to accumulation”. It is characterized by accelerated investment and consumption of things, since chronic inflation makes saving money pointless. According to Baudrillard, the credit system returns society to feudal origins, i.e. to the system of serf labour, when the landowner always owns a certain part of the labour of serfs. But the modern consumer accepts such situation as a lawful compulsion. The consumer is obliged to buy things in order to maintain production and have a job, which gives him the opportunity to earn money to pay debt obligations [Ibid., p. 173–174].

Another important aspect noted by Baudrillard is the “magic” ability of credit to divide purchase and buyer. Thus, buying on credit, firstly, involves getting a desired object for a small (often token) price. This generates the euphoria in the buyer who was able to get the maximum benefit (for example, in the form of high respect from other people) at a minimum cost. However, buying on credit, secondly, implies the fulfillment of debt obligations. When the due date for the loan payment comes and it is necessary to pay for the supposedly free purchase, the buyer's self-confidence collapses. As a rule, the buyer does not perceive the causal relationship and the dual nature of a purchase on credit, and this leads to a further divide of an individual into a buyer and a payer. Thus, the credit system “brings to the limit the irresponsibility of an individual to himself”, Baudrillard concludes [Bodriar, 1999, p. 175].

### **Drivers of consumer lending**

The growth in consumer lending leads to the spread of the debt model of consumption among the population. In recent decades the financialization of the economy and the digitalization of the financial services sector made consumer loans easily accessible.

*Availability of consumer loans.* The system of mass consumer lending is associated primarily with the growing accessibility of borrowing money. Almost any product can be bought on credit, which is offered by the store. The availability of loans, Canadian scientists point out, affects the value system, beliefs and stereotypes of people, which ultimately changes their behavior as consumers and borrowers. A particularly important consequence of loan availability is that consumers start getting involved in cycles of borrowing and in the artificial stimulation of consumer demand by lenders [Hembruff, Soederberg, 2015, p. 49].

According to Russian authors, the growing availability of loans stimulates not just consumption, but ostentatious and status-oriented consumerism [Vernikov, Kuryшева, 2021]. This was first described by the American economist T. Veblen, who included the propensity to acquisition among the basic human instincts and substantiated the concept of conspicuous (demonstrative) consumption [Veblen, 1984]. This is the consumption, the main purpose of which is to demonstrate one's high status or gain prestige. To maintain their social status and prestige, people are ready to purchase goods that cost more than they can afford; thus the need to buy on credit. As a result, they have to save on essentials and build up debt. The driving force behind conspicuous consumption is consumer lending, which has become the norm of modern culture and dictates almost irrational behavior [Koftunkin, 2011, p. 107].

*Financialization.* The process of financialization plays an important role in propagating debt model of consumption. It is linked to the rapid increase in size and importance of a country's financial sector relative to its overall economy, the fast growth of financial flows compared to the growth of investments in fixed assets and to the growth of GDP [Dubinin, 2017]. This process is closely connected with the globalization of the world economy, which has caused the globalization of financial markets and the rapid

accumulation of huge financial resources. The strengthening of the already powerful financial sector occurred at the expense of the rest of the economy and due to the deregulation of the credit and financial sector. Not only the economy, but the society as a whole fell under the dictate of financial capital.

By subjugating the goals and values of society to financial capital, financialization changes the scale of personal values, motives and behavior; financial motives and factors acquire the dominant position in society. As a result, a new social type of person has emerged – “homo finansus”, i.e. a person who lives by the rules of financial capital [Levina, 2006].

Financialization has led to two dangerous trends: firstly, to the emergence and rapid growth of a segment of the financial market that is not directly related to the real economy, and secondly, to an uncontrolled increase in debts, in particular, household debts.

*Digitalization.* The digitalization of the credit and financial sector provides new opportunities for involving the population in financial transactions (financial inclusion). More and more banks offer online banking services. Credit cards and overdraft cards, which are a special case of lending, have become an effective tool for driving the consumer demand of bank customers, as they greatly facilitate the payment process and paying off credit debt. For status credit cards, banks increase spending limits and provide additional incentives (for example, free insurance when traveling abroad).

Digitization of lending expands access to financial services: by reducing transaction costs, it makes small loans cost-effective, in particular to people traditionally excluded from the banking service system. Gradually, the financial and digital literacy of consumers improves, they can manage their debts more rationally and have access to more financial services [Aggarval, 2021].

Digital financial technologies not only provide quick and convenient access to financial services, but expand services to new groups and communities, especially, the low-income customers. New technical gadgets, such as low-cost cell phones, plastic smart cards, ATMs and payment terminals, have created the opportunity to involve in financial transactions large numbers of people who previously did not use banking services.

The use of digital technologies in lending, despite certain benefits and convenience for consumers, has certain negative consequences. For instance, there is a high risk of theft of personal data from financial institutions aimed at accessing personal accounts and withdrawing funds from accounts. In addition, with the rise of so-called datification<sup>1</sup>, many consumers face moral concerns. Experts draw attention to the fact that the application for consumer loans is associated with moral harm that is caused to the borrower's private life, independence, human dignity, and self-identification [Aggarval, 2021]. “Datification” is the use of personal data of the borrower, in particular data from social networks about behavior, prefer-

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<sup>1</sup> Datification (=datafication) is the process of presenting phenomena in a quantitative digital format, converting data into digital information available for analytics [Shilina, 2018, p. 61].



ences, personal life, property, etc., when making a loan decision. Analyzing this data using increasingly sophisticated machine learning algorithms allows lenders to predict the borrower's behavior and draw up detailed "financial portrait". Such actions are regarded as an invasion of privacy.

### **The impact of consumer lending on the economy and welfare of the population**

It is a popular belief that the growth of consumer lending has a positive impact on the dynamics of consumption and GDP. Many researchers consider consumer lending an important source of growth not only for household consumption, but also for the economy as a whole.

With loans, households can compensate for the drop in income, maintain their level of consumption and replenish the family budget. With credit money, they purchase additional goods and services, thus increasing the demand in the market for goods and services and stimulating production. Moreover, many experts believe that easy access to financial institutions and financial inclusion (i.e. providing access to financial services to households that never used them before) is beneficial for people's well-being, helps reduce poverty and inequality (IMF, UN, OECD, etc.). In many countries, financial inclusion is formulated as a priority goal of state policy.

In 2011 almost half of the adult population of the world did not use the services of banks and other financial service providers. However in 2017 that share decreased to 31%. According to the forecast, by the end of 2022 this figure will drop to 15% [The Global Findex ..., 2018, p. 4]. Remarkably, most of these financially excluded people in the world are the poorest.

However, the scientific community discusses both positive and negative effects of consumer lending. Some researchers question the assertion that consumer lending contributes to an increase in the effective demand of the population. For instance, P.A. Medvedev believes that consumer credit in modern Russia not only stimulates the purchasing power of the population, but suppresses it quite strongly, although it gives the borrower a gain in time. According to his calculations, based on data for the first half of 2014, the loan "ceases to be an incentive as soon as the increase in debt becomes not very large" [Medvedev, 2015, p. 14].

S.A. Starostina emphasizes the ambiguous consequences of growing incomes due to lending [Starostina, 2016, p. 38] since an excessive increase in effective demand can upset the demand – supply equilibrium and cause the prices of goods to rise.

The danger of excessive consumer lending was demonstrated by the global financial crisis of 2008, provoked by unwarranted mortgage borrowing. The risk of such a crisis, according to I. Chakarov, also exists in Russia [Chakarov, 2019]. His fears seem to be justified since consumer debt is growing at a high rate against the backdrop of slowing production and falling incomes. The steadily growing consumption of Russian households observed in the face of declining disposable income, Chakarov points out, is supported solely by lending. At the end of 2018, the volume of household loans exceeded the amount of their

deposits (i.e., Russians became net borrowers). Moreover, a negative consequence of the growing consumption is a decrease in the household savings rate, i.e. the share of income set aside for savings. It should not be forgotten that household savings are one of the most important potential investment sources in the economy, and therefore a reduction in the savings rate limits potential economic growth [Ibid.].

V.V. Maganov studied the interdependence of the economy and the paradigm that has become established in the consumer society, based on such principles as the availability of credit, the unrestrained growth in consumption and falling share of savings [Maganov, 2018, p. 18]. The author questions the thesis of the neo-liberal theory that credit is a benefit while savings are a brake on economic development. To verify the correctness of his assumption, he conducted calculations and analyzed the ratio of credit burden to gross savings at the macro level in 17 leading countries of the world over a period of almost 20 years (domestic credit provided by banking sector / gross domestic savings). As the author established, when the credit burden ratio exceeds gross savings by 10–15 times, the economy enters the pre-default period [Ibid.]. Using paired correlation analysis the scientist studied the impact of the dynamics of bank credit and savings on the GDP growth rates of 20 countries and came to the conclusion about the positive effect of the growth in savings activity and, on the contrary, the negative effect of excessive lending and an increase in the debt burden [Ibid.].

V.V. Kozlovskii also points out the risk of excessive lending. “Life (consumption) on credit is so far ahead of the possibilities of the economy that the latter cannot cope with huge debt liabilities”, he rightly notes in his article [Kozlovskii, 2011, p. 56].

Many researchers emphasize the fact that stimulating consumption growth through lending increases the debt burden of the population, while the poorest segments of the population and the most indebted households find themselves in the most unfavorable position. The most common form of lending to low-income groups is the so-called payday loans (PDL), intended mainly for working people. The latter live paycheck to paycheck and are forced to use such loans to meet basic living needs or cope with a difficult life situation. Although payday loans are provided on simpler terms than bank loans, the interest on them is significantly higher.

Payday loans are widely used in many countries around the world, and have recently become popular in Russia under the term “microloans”. According to Canadian scientists, PDL is a growing and highly profitable sector of the “poverty industry”. Such lending is based on the neoliberal concepts of labor welfare (workfarism) and debt welfare (debtfarism) through loans [Hembruff, Soederberg, 2015].

High interest on loans is the main problem of PDL. The borrower has to pay not only high interest but also fines if he missed pay date of loan service fees.

There are more than 23,000 financial institutions in the US that provide payday loans, twice as many as the number of McDonald's restaurants. PDLs, on average, ranging from \$100 to \$1,000, are granted for 14 days. The highest interest rates are in Ohio – 677% on an annualized basis, Texas follows

with 664%, which is more than 40 times higher than the average credit card rate (16,12%). Some states have adopted limits on interest rates for payday loans. While payday loans are easy to get, the interest accrued on them is very difficult to repay. A study by the Consumer Financial Protection Bureau found that one out of every four such loans is re-registered nine or more times because borrowers fail to repay it. With each re-registration, the principal amount of the loan (the body) increases by the amount of the debt, which leads to an increase in the amount of interest on the loan and, in general, the amount of the principal debt [Leonhardt, 2021].

According to L.I. Nivorozhkina, consumer lending becomes a factor in increasing poverty and inequality in society [Nivorozhkina, 2014]. The purchase of consumer goods on credit leads to the deduction of debt servicing payments from the borrower's cash income, and thus his cash income decreases. In middle-income households, this can lead to restrictions on meeting vital needs. Their standard of living declines and they become poorer and may move into the category of low-income households. A loan taken by a low-income household can significantly undermine the family budget; such a household is at the highest risk of becoming even poorer. Repeated loans, which are intended to repay previously received loans, pose a particular danger in terms of increasing poverty. They create a long-term debt dependence of households and at the same time increase the cost of credit.

Due to the ambiguous consequences of growing consumer lending for the economy and the population, researchers raise the question about the limits of credit expansion, beyond which credit loses its positive role and becomes a source of risks and a brake on economic development. This issue is studied in detail in the book by O.I. Lavrushin "The evolution of the credit theory and its use in the modern economy" [Lavrushin, 2016], which focuses on the most important contemporary problems in the field of lending. Although the author belongs to the supporters of the positive role of credit, his own research into the interaction of credit with production and circulation convinces him of a contradictory nature and inherent destructive power of credit. On the one hand, credit expansion can become a factor in the economic growth, and on the other hand, it can hold it back [Lavrushin, 2016, p. 307, 314].

Lavrushin also addresses the question of whether credit can be a source (cause) of crises, pushing speculative tendencies and creating financial bubbles (market overheating). This is the subject of numerous discussions in the scientific community, but the positions of scientists differ greatly. Lavrushin is convinced (and it is hard to disagree) that credit is directly related to the origin of crises. Moreover, it may not be their primary cause, but it can "prepare them, ... veil disproportions, thereby making it more difficult to overcome crises ..." [Ibid., p. 321].

### **Consumer lending in Russia**

The development of the consumer society in Russia is a natural consequence of market transformations and the formation of a market economy, which entailed a corresponding transformation of the bank-

ing sector, the credit market and the system of values. At the same time, the attitude of people towards lending has also changed, the loyalty of Russians to living on credit has sharply increased.

In recent years the economic dynamics demonstrated a fairly steady growth in household consumption despite the fact that their real disposable incomes are declining. Since 2017, the population has been actively spending their accumulated savings on consumption. As a result, the share of savings in the monetary income of the population, according to Rosstat, decreased from 6,6% in 2016 to 3.4% in 2019. On the contrary, the share of spending on goods and services increased, respectively, from 77,2% to 80,8% [Struktura ispol'zovaniia ...]. In fact, lending has become the main factor supporting the growth of consumption.

Since the mid-2000s, the pace of consumer lending (the Bank of Russia uses the term “lending to individuals”) has accelerated sharply, and its volume has doubled every year. However, the 2008–2009 financial crisis temporarily slowed down the growth in consumer lending. The next wave of acceleration in consumer lending began after banks overcame the consequences of the devaluation of the ruble in 2014–2015. In 2017 and 2018, consumer lending grew by 11,1% and 22,2%, respectively, which was significantly higher than the nominal economic growth rate (6,8%) over the same period [Dolgovaia na-gruzka rossiian ..., 2019, p. 15]. Thus, retail lending to individuals is the fastest growing segment of the banking sector.

As of April 1, 2020, 42 million Russians (i.e. 29% of the permanent population) had some loan liabilities [Bank Rossii: Analiz dinamiki ..., 2021, p. 5]. The scale of loan transactions allows to estimate at what the lending<sup>1</sup> penetrated the society. As of April 1, 2020, the median value of this indicator on average in Russia was 30,6%. However, in Russian regions, this figure varied from 7,5% in Ingushetia to 39,2% in the Tyva Republic [Ibid., p. 23].

The retail lending market includes the following main segments: bank consumer loans, mortgage loans, car loans, credit cards and microloans provided by microcredit organizations.

Almost half of all loans to individuals are mortgage loans (mortgage share in total loans to individuals increased from 41% to 48% in 2015–2020). However, despite high growth rates, the ratio of mortgage loans to GDP in Russia remains at 9,4%. In this respect Russia still lags behind developed countries and even behind most countries in Eastern Europe. Russia is somewhere at the level of Hungary (9,1% of GDP), ahead of only Romania (8,5%). For comparison: in Canada, mortgage loans reach 84% of GDP, in the USA 64,1%, France 51,9%, Germany 41.4% of GDP [Obzor rynkov zhil'a ..., 2021, p. 13].

Microloans are provided by various non-banking microfinance institutions (MFIs) (consumer credit cooperatives, agricultural consumer cooperatives, housing savings cooperatives and pawnshops). Unlike banks, MFIs issue loans to all borrowers, regardless of their solvency and credit history.

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<sup>1</sup> The ratio of the number of citizens who have a loan to the total number of resident population.

The microfinance market has developed very rapidly in the last decade. In 2008, there were about 2,000 MFIs in Russia that served about 700,000 clients, i.e. about 1% of the working population. In 2016, the register of MFIs already included 3852 organizations. However, soon after the Bank of Russia tightened the MFI regulation and started to supervise their compliance with legal norms. As a result, the process of consolidation of MFIs began. In 2019, their number decreased to 2009 organizations that served more than 6,43 million people. Those MFIs are now subject to more stringent regulation by the Bank of Russia [Bank of Russia: General Information ..., 2016, p. 2; Dolgovaia nagruzka rossiian ..., 2019, p. 16].

MFIs provide loans to individuals in the form of consumer microloans (Installments Loans, IL) and payday loans (PDL). The portfolio of microloans (IL+PDL) increased from 59,7 billion rubles in 2016 to 134 billion in 2018 [Bank Rossii: Obshchaia informatsiia ..., 2016, p. 10; Bank Rossii: Obzor kliuchevykh pokazatelei ..., 2021, p. 3–4].

More than 70% of the amount of microloans from MFIs are consumer microloans (87.2 bln rubles in 2018). The volume of consumer microloans is growing at a fairly high rate (34% in 2018 compared to 2017) [Dolgovaia nagruzka rossiian ..., 2019, p. 17]. Such microloans are usually issued in the amount of more than 30 thousand rubles for a period of more than one month. Interest rates on such loans are higher than in the banking sector and reach 250–350%. Also the level of overdue debt in this segment of microfinance is much higher than in the banking sector (on average 20–30%) [Dolgovaia nagruzka rossiian ..., 2019, p. 17–18].

The volume of the PDL segment, which accounts for a smaller part of the microfinance market (34 bln rubles in 2018), is characterized by particularly high growth rates (in 2018 higher by 43% compared to 2017). Getting a payday loan is very easy, as it requires a minimum of documents. However, repaying a debt is difficult for many: 26% of borrowers have debt that exceeds their monthly income; for 11% the debt exceeds their monthly income by one and a half times, for 15% – by two times, respectively [Dolgovaia nagruzka rossiian ..., 2019, p. 17].

Most Russians (except Moscow residents) take payday loans to pay off their existing debt (18%), pay taxes and fines (15%), purchase food (10%) and pay for medical treatment (10%). In contrast, 60% of Moscow residents use payday loans to purchase luxury items such as jewelry, clothes, mobile phones, etc. [Ibid.].

Since the microcredit rates are several times higher than for bank loans, the consumer microloan market is growing at a faster pace (in 2019, the growth was 51%) than the bank lending market. There is a risk that a significant part of consumer demand for loans may shift from the banking to the MFI sector. Fortunately, this problem is not too acute yet, since the share of MFIs in total loans to individuals remains low – less than 2% (143 bln rubles in 2019) [Bank of Russia: Accelerated growth ..., 2019, p. 5]. However, if regulations on the issuance of bank unsecured loans get any more tight, some bank borrowers may

be forced out into the microfinance segment. As a result, the demand for microloans and their volume will increase, and many more people will fall into financial slavery.

*Debt on consumer loans.* For the borrower, the main problem is debt repayment. The joy of buying, as you know, passes quickly, and there remains a debt that will have to be paid off for months or even years. Often people make an ill-conceived decision, do not study the loan agreement in detail and incorrectly calculate their financial capabilities. As a result, they experience difficulty paying off their debts.

The debt load of the population, according to the experts of the World Bank, is one of the main threats to the Russian economy [Dolgovaia nagruzka rossiian ..., 2019, p. 12]. It contributes to increasing poverty, in particular among the most vulnerable categories of the population (low-income families, the elderly, single mothers, etc.), which affects society and the economy as a whole. High debt on loans not only poses a threat to the family budget, but also affects the daily life of families, worsens living conditions and the emotional environment in families.

From the second quarter of 2017 to the first quarter of 2020, the debt burden of the population (i.e. the ratio of loan payments to the borrower's income) increased from 8,3% to 10.9%. Unsecured consumer loans are the main source of household debt: the debt burden on such loans increased from 6.9% to 9,2% over the above period [Bank Rossii: Analiz dinamiki dolgovoï nagruzki ..., 2021, p. 4].

The debt load of the population varies greatly by region. Thus, as of April 1, 2020, the debt burden indicator (DBI) at the regional level, which is calculated as the ratio of the average regional debt (for consumer loans, mortgages, car loans and credit cards) per borrower, to the average monthly income of the population in the region, varied from 7,8% of the average individual monthly regional income in the Trans-Baikal Territory and the Republic of Mari El to 21,8% in the Republic of Sakha (Yakutia) [Ibid., p. 25–26].

The increase in the debt burden of the population in recent years was caused by the growing share of borrowers with two or more current loans, as well as the transition of some bank customers to MFIs due to more stringent requirements for borrowers from banks. From the second quarter of 2017 to the first quarter of 2020, the share of borrowers with two or more current loans increased from 23 to 28% [Bank Rossii: Analiz dinamiki dolgovoï nagruzki ..., 2021, p. 16].

The influx of new borrowers to MFIs is associated with the introduction of a debt burden indicator (DBI) from October 1, 2019, which credit institutions must calculate when making a decision to issue loans. As of April 1, 2020, the number of MFI borrowers increased by 17,6%, while the number of borrowers from banks increased by only 1.9%. Interestingly, among the new MFI clients, 56% were former bank clients and 44% were new borrowers. Out of the former bank borrowers, 31% already had overdue debt on a bank loan [Ibid., p. 5].

In all segments of retail lending<sup>1</sup>, except for MFI loans, debt growth outpaces the growth in the number of borrowers. As a result, the average amount of debt per borrower increases. Since the income of the population is growing more slowly than the average amount of debt per borrower, the debt burden of the population is also growing.

*Income of the population.* The years 2014–2018 in Russia were characterized by the decrease in real disposable income of the population, which amounted to 13%, and the share of Russians who chose to save money decreased from 40,7% in 2014 to 36,2% in 2017. At the same time, people started increasingly using retail loans, especially high interest rate short-term loans [Dolgovaia nagruzka rossiian ..., 2019, p. 12]. As a result, the amount of household credit debt increased from 10 trillion rubles in 2016 to 14,9 trillion at the beginning of 2019. In 2018, Russian households spent an average of 10% of their total income on servicing credits/loans [Ibid., p. 13].

### **Impact of the pandemic on consumer lending in Russia**

The 2020 coronavirus pandemic came as unprecedented domestic shock to the Russian economy and finances. Significant changes have taken place in consumer behavior. Given the deteriorating economic situation, banks were forced to tighten scoring<sup>2</sup>. Many bank customers who would have previously been approved for a loan were denied in 2020. The level of approval of loan applications by banks has fallen to the lowest over the past three years (from 15 to 30% in different segments of consumer lending) [Samiyev, 2020].

At the same time, Russians began to spend their money more rationally and tried to reduce the credit burden on the family budget. For many, the most pressing issue was to settle debts on existing loans, and not to apply for new loans. Programs of credit vacations and loan restructuring were developed by banks and the state to stabilize the social situation in the context of the growing overdue credit debt. For people with reduced incomes, problems with employment, etc., such programs have provided time for respite and an opportunity to get through a difficult period.

The COVID-19 pandemic has affected the dynamics of consumer lending in Russia. According to the National Bureau of Credit Histories (NBKI), in 2020, banks issued 14.57 million consumer loans, i.e. almost a quarter (25,9%) less than in 2019 (19,68 million loans). Banks provided loans mainly to citizens with a low debt burden and a high personal credit rating. The decrease in the number of consumer loans was noted in all regions, but it was the most evident in the Stavropol Region (by 32,7%), Tyumen (30,6%) and Rostov (29,5%) regions. Moscow (711,2 thousand loans), Moscow region (632,5 thousand)

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<sup>1</sup> Includes consumer loans, mortgages, auto loans and credit cards.

<sup>2</sup> Scoring is a system for assessing creditworthiness (credit risks) of a borrower based on numerical statistical methods.

and Krasnodar Region (553,9 thousand) were the leaders in the number of consumer loans issued [NBKI: v 2020 godu ..., 2021].

*Mortgage.* Unlike bank consumer loans, mortgage loans (*Rus. Term ipoteka*) showed the opposite dynamics in 2020. At the end of 2020, a record level of mortgage loans issued in the history of this market was reached. According to the analytical center DOM.RF<sup>1</sup>, citizens received 1,7 million mortgage loans worth 4,3 trillion rubles, which is more than in 2019 by 35% (by number) and 51% (by volume) respectively [Obzor rynkov zhil'a ..., 2021, p. 11].

The negative impact of the pandemic on mortgage lending appears to have been minimal. The main role, according to experts, was played by the declining mortgage rates to a record low as a result of the easing of the monetary policy by the Bank of Russia (from 10–11% in 2019 to 8%) and better availability of mortgages due to the federal preferential programs, in particular, mortgage programs for new construction at the rate not lower than 6,5%<sup>2</sup> and others (“Family Mortgage”, “Far Eastern Mortgage”, “Residential building”).

*Microloans.* In the context of the pandemic, the growth of the portfolio of MFI microloans provided to individuals (IL + PDL) slowed down significantly and amounted to 10% compared to 2019. The size of the portfolio increased from 171 bln rubles in 2019 to 188 bln rubles in 2020. In 2019, the growth of the microloan portfolio compared to 2018 was almost 28% (an increase from 134 bln in 2018 to 171 bln in 2019) [Bank Rossii: Obzor kliuchevykh pokazatelei ..., 2021, p. 3–4].

Average market values of the total cost of consumer microcredits provided by MFIs<sup>3</sup> reached very high values. For instance, for the period from January 1 to March 31, 2021, for consumer microloans without collateral in the amount of up to 30 thousand rubles and for a period of up to 30 days, this figure amounted to more than 349% per annum [Bank Rossii: Srednerynochnye znacheniiia ...]. These are the most expensive microloans, and therefore this segment of lending has a high level of overdue debt. In 2020, the share of overdue MFI microloans for a period of 90 days or more amounted to 28,9% (i.e., it remained virtually unchanged compared to 2019, when it was 28%) [Bank Rossii: Obzor kliuchevykh pokazatelei ..., 2021, p. 7].

*The debt load of the population.* In the context of the economic decline and pandemic, the debt burden of Russians, i.e. the ratio between the volume of payments on loans and the total amount of dispos-

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<sup>1</sup> DOM.RF is a housing development financial institution established in 1997 by the Government of the Russian Federation to promote housing policy. See the organization's website: <https://дом.рф/>

<sup>2</sup> From July 1, 2021, the terms of the program have been changed: the interest rate increased to 7% and the loan amount limited to 3 million rubles. <https://ria.ru/20210628/ipoteka-1738839131.html>, <https://fincult.info/article/v-kakikh-sluchayakh-mozhno-poluchit-lgotnyu-ipoteku/>

<sup>3</sup> According to Federal Law N 353-FZ “On Consumer Credit” dated December 21, 2013, the average market values of the total cost of consumer loans in percentage per annum are calculated by the Bank of Russia as a weighted average of at least one hundred largest lenders in the corresponding category of consumer loan or at least one third of the total number of creditors for separate categories of consumer loans.



able income of the population, including people with debt on loans and people without debt liabilities), grew rapidly, reaching 11,9% at the end of 2020 against 10,7% in April. This was the highest level since 2012. In January 2021, the average level of payments by Russian consumers on unsecured loans was 9,8% of their total income, and on mortgage loans – 1.9% [Dolgovaia nagruzka rossiian ..., 2021]. This was largely facilitated by the accelerated growth in the number of unsecured loans (in 2020 it approached the 20% mark).

At the same time, the share of loans with a high debt burden indicator (DBI<sup>1</sup>) quickly exceeded pre-pandemic levels. Thus, in the first quarter of 2021, the share of loans with DBI over 100% reached 23,5% against 17,5% in the same quarter of 2020 [Dolia kreditov ..., 2021].

Since the beginning of the pandemic, credit institutions have increased debt restructuring on loans to individuals. According to the Bank of Russia, as of January 29, 2021, credit institutions have renegotiated the terms of 6% of previously issued unsecured loans and 4.5% of mortgage loans. As of March 1, 2021, the debt of individuals to banks amounted to 20.8 trillion rubles. From the end of 2020 to March 2021, the share of overdue loans stabilized at 4,7%, but in absolute terms, the volume of corresponding loans increased, reaching 976 bln rubles [Koshkina, 2021].

*The real disposable income of the population* in 2020 decreased by 3,5%, and the dynamics of the consumer market was negative due to quarantine measures [Sotsial'no-ekonomicheskoe polozhenie Rossii ..., 2021]. In the first quarter of 2021, the real disposable income of the population as a percentage to the first quarter of 2020 amounted to 96,4% [Sotsial'no-ekonomicheskoe polozhenie Rossii ..., 2021, p. 6].

In order to contain the increase in the debt burden of the population caused by quarantine measures, the worsening economic situation and the decline in incomes, the Bank of Russia eased monetary policy. In particular, during 2020 the key rate was reduced from 6,25% to 4,25%.

## **Conclusion**

The market relations in Russia develop together with the emerging consumer society with all its characteristic features and problems. The expansion of consumer lending has an ambiguous effect on the dynamics of the economy and the well-being of Russian citizens. On the one hand, consumer lending really helps to increase the demand of the population and stimulates the development of production, but on the other hand, it creates intractable problems for numerous debtors, and the debt burden hinders economic growth.

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<sup>1</sup> Starting from October 1, 2019, Russian banks and MFIs, when making a decision on issuing a loan to an individual, are required to calculate the debt burden indicator (DBI), the ratio of loan payments to the income of the borrower.

The most serious negative aspect of consumer lending is the growing debt that outpaces the growth of household incomes. The structure of the household budget is changing: an increasing part of it is spent on servicing credit debt. This threatens to destabilize household budgets. Due to the high level of debt, many households are losing the ability to maintain their customary level of consumption and to make savings. The growth in the debt burden not only undermines family budgets, but also increases the vulnerability of the Russian financial system to external and internal shocks.

If we compare the situation in Russia and developed countries, then the overall picture of credit expansion does not seem too catastrophic. In terms of financial lending, Russia lags far behind the leading developed countries, which have repeatedly been subjected to deep financial crises caused by overheating of the credit market. In Russia the share of borrowers with loans is slightly more than half of the employed population (54% in 2019), in the USA it exceeds 70%. In Russia the ratio of debt to GDP remains at a relatively low level (15% of GDP). In developed countries, this figure exceeds 70%, and in developing countries it exceeds 40% of GDP [Chakarov, 2019].

In addition, Russian household debt remains relatively low by international standards. Thus, according to OECD statistics, the total debt of households as a percentage of their net disposable income (i.e., income after deducting taxes and social security contributions) amounted to 33,78% in Russia in 2020. In contrast, in most developed countries, this indicator is expressed in three digits. In particular, in 2020 it was 258,33% in Denmark, 247,35% in Norway, 235,66% in the Netherlands, 210,06% in Australia, 199,72% in Sweden, 175,43% in Canada, and 141% in the UK, France – 122,13, Japan – 109,98, USA – 104,58% [Total household...].

Of course, these examples in no way mean that it is too early to take action on problems that have already emerged. On the contrary, it is necessary to react quickly in order to prevent further aggravation of the situation. It should be noted that not all consumer lending indicators point to Russia's backward position compared to other developed countries. Unfortunately, Russia has practically caught up with them in terms of the debt burden of the population at the macro level (i.e., the ratio between the volume of payments on loans and the total amount of disposable income). For instance, in April 2021, it amounted to 11,9% against 10,7% in April 2020 [Bank of Russia: Overview of financial..., 2021, p. 36]. This is in line with the average values observed in developed countries. Russia lags behind Canada and Australia, where this indicator reaches 14–15%, but is ahead of Germany and France, where it is at the level of 6–7% [Chakarov, 2019].

The crisis associated with the pandemic seems to have had a sobering effect on many borrowers and forced them to take a more rational and balanced approach to making decisions about borrowing money, to reconsider their financial liabilities in relation to credit market offers, etc. In the face of persisting uncertainties related to the pandemic threats and economic development people switch from borrowing to savings behavior, i.e. save more and accumulate money, refuse ill-conceived purchases, etc. This trend is

encouraging, as it may lay the foundation for the formation of a kind of “herd immunity” to thoughtless consumerism, as well as rationalize consumer credit behavior.

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## IMPACT OF THE COVID-19 PANDEMIC ON THE RUSSIAN CONSUMER MARKET: STATISTICAL ANALYSIS<sup>1</sup>

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**Summary.** *The quarantine measures introduced in Russia in the first half of 2020 in connection with the COVID-19 pandemic had a negative impact on the whole economy and its individual sectors. The consumer market was among those hit the hardest. The article gives a quantitative assessment of the impact of quarantine measures on some sectors of the consumer market, analyzes the pace of their recovery in May-July 2020 after a gradual easing of quarantine measures. It is noted that the further developments are difficult to predict due to the general uncertainty of the situation.*

**Keywords:** *Russia; consumer market; COVID-19 pandemic; personal income; economic damage; archaic consumption.*

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## **Introduction**

This article, written in 2020, is one of the first attempts to assess the impact of the COVID-19 pandemic on the changing consumer consumption. Detailed academic studies of this phenomenon will certainly appear in the future, since the situation that humanity faced in 2020 was the first in its recent history. The first in the sense that the strict quarantine measures that were introduced in the vast majority of countries have never been imposed before. The classic method of isolating the sick, unlike the Spanish flu pandemic in 1918–1920, was combined with quarantine measures and self-isolation, the scale of which had no precedent in the past.

Russia was no exception to the global trend. According to official statistics, thanks to the measures taken, which peaked in April-May 2020, the spread of the COVID-19 pandemic in the country was contained. If in April the average daily increase in the number of infected people in the country amounted to 3472 people, and in May – 9656 people, then in June, even with the gradual easing of quarantine measures, it dropped to 8067 people, in July – to 6198 people, in August – to 5011 people.

In the first two weeks of September, however, the average daily number of infected people rose to 5214, which coincided with the forecasts of many experts who deemed such an increase inevitable as strict quarantine was over and the number of contacts grew. Similar dynamics in April–July was observed in Moscow, where quarantine measures were among the most stringent (the corresponding numbers were 1734, 4098, 1360 and 637 people). In the second half of July, Moscow reached a plateau in terms of the daily increase in infected people, which amounted to 679 people in August, and 670 people in the first two weeks of September [Coronavirus COVID-2019]. However, later, even with an increase in the incidence, such strict anti-COVID measures that were in effect in April-May 2020 were no longer imposed.

Quarantine measures that limited the territorial mobility of Russians, the closure of almost all service enterprises, the transition to online purchases and their delivery by couriers negatively affected the volume and structure of consumption of the population. Another negative factor was the unfavorable dynamics of the monetary incomes of those workers whose wages are not guaranteed by the budget, but depend on the results of economic activity.

At the time when the article was written, the available statistics on the consumption of the Russian population during the 2020 pandemic was not exhaustive. First of all, the data of the sample survey of household budgets for the 2nd quarter of 2020 were not yet published. The information about the survey for the 1st quarter is of little interest considering the topic under study. The fact is that the main measures to curb the spread of COVID-19 in Russia were taken at the end of the 1st – beginning of the 2nd quar-

ters, and their implementation did not affect the consumer market, which was developing along a regular trajectory.

Nevertheless, even the existing data made it possible, in the mode of express analysis, to assess the degree of impact of the pandemic on the consumption of food, non-food products and household services by the Russian population. The main sources of information are the reports “The Socio-Economic Situation in Russia” and “Information on the Socio-Economic Situation in Russia” published monthly by the Federal State Statistics Service (Rosstat).

The dynamics of the above indicators turned out to be quite predictable, reflecting qualitatively different periods of economic activity in Russia in 2020. By August, 3 such periods could be distinguished: 1) January–March, when the Russian economy was developing in the normal mode; 2) April–May, when the restrictive measures (self-isolation of the population and closure of non-essential enterprises and organizations) were the most stringent; 3) June–July, when the restrictive measures began to gradually soften.

The methods for analyzing the transformation of the consumer market proposed in the article, tested on the example of Russia under the conditions of Covid restrictions, are applicable to other situations where the consumer market is somehow affected by some administrative restrictions.

### **Retail turnover and its structure**

In the first of the selected periods, retail trade turnover in Russia increased steadily – from 2639,8 billion rubles in January to 2917,5 billion rubles in March. As a result of the imposed restrictive measures, the consumer market almost immediately collapsed. In April, the volume of retail trade decreased by 807,5 billion rubles, or by 27,7% compared to the previous month. In May, it began to gradually recover. In July, the retail turnover amounted to 2843,2 billion rubles, which practically meant its return to the March level. Thus, the immediate effect of the pandemic delayed the growth of the consumer market by at least four months.

The economic consequences of this delay can be assessed by assuming that in the absence of a pandemic, the monthly increase in retail turnover in April–July 2020 would be the same as in 2019 (Table 1).

Thus, the reduction in the size of the consumer market in April–July 2020, due to the pandemic, is estimated at almost 2,4 trillion rubles. After the restrictions were eased, retail trade began to recover, as can be seen from Table. 1 at a fairly high rate. If in May it was less than the calculated value by 776,6 billion rubles, then in July it was already by 291,6 billion rubles, or 2,7 times less.

Changes in the structure of retail trade turned out to be quite predictable. In conditions of self-isolation and the closure of organizations selling non-food products, the sales of the latter decreased to a greater extent than the sales of food products. If in the second half of the year the retail turnover of food products (including drinks and tobacco products) decreased by 4,3%, then non-food products dropped by

24,2%, or almost 6 times more. As a result, in the structure of retail trade turnover, the share of the latter, which amounted to 51,6% in the 1st quarter, decreased to 45,8% in the 2nd quarter. The explanation here is quite obvious: food is vital for humans, unlike the vast majority of industrial goods, the purchase of which could be postponed until after the end of the pandemic.

Table 1

**Estimated reduction in retail turnover in Russia in April-July 2020, billion rubles\***

Month	Retail turnover				
	2020 r.	Change from the previous month in 2020	Change from the previous month in 2019	2020 in the absence of a pandemic <sup>1</sup>	Downsizing in 2020 <sup>2</sup>
1	2	3	4	5	6
March	2917,5	–	–	2917,5	–
April	2110,0	0,723	1,020	2975,9	–865,9
May	2257,3	1,070	1,019	3033,9	–776,6
June	2623,5	1,162	1,018	3088,5	–465,0
July	2843,2	1,084	1,015	3134,8	–291,6
April – July	9834,0	–	–	12 233,1	–2399,1

<sup>1</sup> Column 2 ((previous month) x column 4 (current month).

<sup>2</sup> Column 6 – column 2.

\* Source. Compiled and calculated by the author on the basis of: [Sotsial'no-ekonomicheskoe polozhenie Rossii, 2020].

The size of pent-up demand for non-food products began to decline quite rapidly starting from May. The rate of recovery of this segment of the retail market was significantly higher than the rate of recovery of the food market. Sales volumes in these markets in July increased by 65,1% and 12,5%, respectively, compared with April. If in July the share of sales of non-food products in the consumer market amounted to 42,4% (an absolute minimum in the observed period), then in July it again reached the pre-crisis level of the first quarter, amounting to 51,9%. This can also be seen in the example of individual commodity items (Table 2).

Table 2

**Change in sales of food and non-food products in retail trade organizations (that are not small businesses) in April – July 2020 at comparable prices, % to the previous month\***

Product	April	May	June	July	July to March
<i>Food products</i>					
Sugar	62,2	98,8	125,0	149,9	115,1
Meat and meat products	94,6	105,5	96,3	104,1	100,1
Bread and bakery products	93,8	97,6	98,3	105,6	95,0
Dairy products	96,8	99,2	93,8	103,5	93,2
Eggs	110,1	91,4	91,1	99,0	90,8
Fresh potatoes	99,3	100,8	88,6	97,9	86,8
Fresh vegetables	99,7	106,0	92,8	85,1	83,5
Confectionery	81,0	103,6	95,4	102,3	81,9
Fish, crustaceans and molluscs	87,7	95,1	95,2	101,7	80,7
Animal oils and fats	99,0	91,5	87,2	99,9	78,9
Vegetable oils	72,9	95,6	98,4	110,4	75,7
Fresh fruits	86,0	94,0	93,9	96,2	73,0
Tea	79,6	98,1	93,4	99,1	72,3
Salt	60,7	92,9	99,7	119,4	67,1



Product	April	May	June	July	July to March
Pasta	55,3	100,2	96,0	108,4	57,7
Flour	81,4	71,8	82,9	100,0	48,5
Groats	52,5	90,4	95,2	103,8	46,9
<i>Non-food essentials</i>					
Footwear	31,3	152,4	250,0	116,2	138,6
Men's, women's and children's clothing	18,5	191,8	260,0	142,0	131,0
Products used for medical purposes, orthopedic products	66,7	110,8	108,8	112,6	90,5
Medicines	72,6	92,8	101,3	104,9	71,6
<i>Other non-food items</i>					
Construction materials	78,6	147,1	114,9	102,1	135,6
Refrigerators and freezers	52,8	120,2	150,3	139,5	133,1
Furniture	43,9	152,5	119,9	150,5	120,8
Gasoline for cars	80,8	104,4	118,7	116,5	116,7
Cell phones	62,3	113,7	138,0	112,7	110,2
Gas motor fuel	80,4	106,1	100,0	122,4	104,4
Computers	67,3	102,0	128,2	113,9	100,2
Washing machines	55,2	120,6	128,7	110,6	94,8
Cars	26,9	159,7	182,4	117,2	91,8
TVs	45,1	121,3	131,2	104,5	75,0

\* *Source.* Compiled and calculated by the author on the basis of: [Sotsial'no-ekonomicheskoe polozhenie Rossii, 2020].

In April, sales declined across all commodity groups, with the exception of eggs. In May, a gradual recovery began in most commodity markets, mainly markets for non-food products. However, in July, three months after April, which was the most severe in terms of quarantine restrictions, the March sales volume was exceeded by 11 out of 31 commodity items listed in the table, i.e. less than 1/3 of their total number. Nevertheless, compared with June, when the number of such commodity items was only three, the progress in the restoration of the country's consumer market is obvious.

Noteworthy is the high growth in June and partly in July in sales of clothing and footwear, which were not in demand during the self-isolation period, as well as of cars (car sales in April decreased by almost 4 times). Sales of sugar and salt increased rapidly in July, which may be due to the beginning of a home-storage period. Naturally, home-storage grew in the face of multiple risks associated with the COVID-19 pandemic.

### **Market of commercial service**

The quarantine measures caused by the pandemic have had a much stronger impact on the market of paid services. In the first quarter of 2020, their volume remained practically unchanged compared to the same period in 2019, amounting to 98,7%. But in the II quarter, the market volume decreased to 62,8%, respectively. Only in June the market of commercial services began to recover, i.e. later compared to food and non-food markets. The volume of this market in June 2020 amounted to 65,5% of the level of the same period in 2019 (the corresponding figures in April and May were 61,8% and 65,5%). The contraction of commercial services differed markedly by their individual types. Naturally, in changed conditions

people accepted new models of behavior, which affected the structure of demand for paid services (Table 3).

Table 3

### Changes in the structure of commercial services\*

Type of commercial service	Volume of services in January-July, billion rubles		2020 to 2019, %	Share in the total volume of paid services in January-July, %		Proportional change, In each category
	2020	2019		2020	2019	
Total, including:	666,5	843,7	79,0	100	100	–
– utilities	140,6	144,1	97,6	21,1	17,1	4,0
– telecommunications	115,0	116,0	99,1	17,3	13,7	3,5
– housing	61,5	60,7	101,3	9,2	7,2	2,0
– medical	57,1	59,2	96,5	8,6	7,0	1,6
– education	32,0	42,9	74,6	4,8	5,1	–0,3
– household	80,3	88,1	91,1	12,0	10,4	1,6
– mail and delivery	4,6	4,0	115,0	0,7	0,5	0,2
– services for the elderly and disabled	2,3	2,3	100,0	0,3	0,3	0,1
– veterinary services	1,7	1,7	100,0	0,3	0,2	0,1
– sport and fitness	3,1	6,1	50,8	0,5	0,7	–0,3
– culture	4,4	13,8	31,9	0,7	1,6	–1,0
– special collective services	10,1	20,8	48,6	1,5	2,5	–0,9
– hotels and accommodation	15,1	24,0	62,9	2,3	2,8	–0,6
– tourist	5,9	20,4	28,9	0,9	2,4	–1,5
– transport	100,2	200,1	50,1	15,0	23,7	–8,7
– other commercial services	32,6	39,5	82,5	4,9	4,7	0,2

\* Source. Compiled and calculated by the author on the basis of: [Sotsial'no-ekonomicheskoe polozhenie Rossii, 2020].

As can be expected, the share of public utilities, housing, telecommunications and medical services has noticeably increased in the structure of paid services. However, the reasons for that growth are different for different types of services. The first two types were obligatory (their cost did not decrease during the quarantine), and therefore the increase in their share occurred due to the reduction in the market for other paid services. The increase in the share of telecommunications services was systemic in nature, reflecting the new realities of life (online communication in conditions of remote work). In the context of a shrinking market for medical services, it is logical that the share of medical bills grows, since for many people paying for medical treatment is vital.

At the same time, the shrinking demand for tourism and cultural entertainment services led to a sharp decline in the volume of paid services in the respective markets.

Noticeable changes could be observed in the sector of household services: the 74% growth in July 2020 compared to July 2019 in the services of rental companies, including car sharing, and the 0,4% growth, in the context of an increased mortality, in funeral services. The market for all other household services, monitored by Rosstat, shrank. The services of saunas and public baths decreased most significantly (by 47,4%), as well as dry cleaning and dyeing, laundry services (by 37,5%). Nevertheless, after lifting of strict quarantine measures, the household services market also began to gradually recover. For

example, if hairdressing services in June decreased by 44% compared to June 2019, then in July compared to July 2019 – by 23,2%.

### Restaurants, cafes, bars

During quarantine most public catering establishments were closed and could only work in a take-away mode. Naturally, their turnover significantly reduced. If in March the turnover amounted to 126,1 billion rubles (96,7% compared to March 2019), then in April – only 64 billion rubles (48,1% compared to April 2019), an almost 2 times drop. The restrictions were lifted quite late and only partially, therefore public catering business started to recover only in June, when the turnover increased to 79,2 billion rubles, reaching only 57,1% of its June 2019 volume. In July, the situation improved markedly: the turnover of public catering enterprises in relation to July 2019 amounted to 71,8%.

The results of calculations of the economic losses of public catering associated with the pandemic, carried out according to the algorithm that was proposed earlier to calculate the decrease in retail turnover (Table 1) are shown in Table 4.

The total turnover losses of restaurants, cafes and bars in April-July amounted to 217,6 billion rubles, which is 11 times less than the reduction in retail turnover. However, for public catering this is a significant amount (half of the actual turnover compared to less than 1/4 loss in the case of retail turnover).

Table 4

#### Estimated reduction in the turnover of public catering enterprises in the Russian Federation in April-July 2020, billion rubles\*

Month	Retail turnover				
	2020	Change from the previous month in 2020	Change from the previous month in 2019	2020 in the absence of a pandemic <sup>1</sup>	Downsizing in 2020 <sup>2</sup>
1	2	3	4	5	6
March	126,1	–	–	126,1	–
April	64,0	0,506	1,017	128,2	–64,2
May	65,1	1,015	1,021	130,9	–65,8
June	79,2	1,216	1,018	133,3	–54,1
July	100,8	1,270	1,008	134,3	
April – July	435,2	–	–	652,8	–217,6

<sup>1</sup> Column 2 ((previous month) x column 4 (current month).

<sup>2</sup> Column 6 – column 2.

\* Source. Compiled and calculated by the author on the basis of: [Sotsial'no-ekonomicheskoe polozhenie Rossii, 2020].

### Incomes as a factor influencing consumer demand

In addition to quarantine measures and closure of many enterprises during the pandemic, the demand on the market was obviously affected by changes in the monetary incomes. In the first half of the year, according to the preliminary assessment by Rosstat, incomes dropped in real terms by 3,7% compared to the same period in 2019. However, it is important to keep in mind that not all population groups

experienced income loss. State-owned enterprises continued to pay salaries regularly. According to Rosstat, as of August 1, 2020, there were overdue wage arrears due to late receipt of funds from budgets of all levels in only five of the 85 constituent entities of the Russian Federation. The arrears amounted to 6,8 million rubles (of which for salaries financed from the budgets of the constituent entities of the Russian Federation, 6 million rubles, and from local budgets – 0,8 million rubles), or only 0,3% of the total debt, which amounted to 2,17 billion rubles. A sharp drop in income occurred among those employed in the sphere of personal services, public catering, and collective accommodation facilities. It affected both hired employees and individual entrepreneurs and the self-employed.

The trend of gradual wage growth in 2020 was expectedly interrupted in April, when its real value decreased by 3,5% compared to March. Its increase, which began in May (by 2,7%) and continued in June (by 2,6%), compensated for the April decline. In June, it exceeded its March value by 1,7%. Nominal wages in June turned out to be 3,8% higher than a year earlier. However, at the same time, wages in such types of economic activity as hotels and public catering, in the field of culture, sports, leisure and entertainment, as well as in education sharply decreased (by 15%, 7,8 and 6,7%, respectively).

The incomes of pensioners living alone did not fundamentally decrease: the pandemic did not affect them. The real amount of state pensions in each of the first six months exceeded that in the same months of 2019 by 2,8% (April) – 3,3% (February). The decrease in their size compared to the previous month (by 0,2% in February, 0,4 in March, 0,6 in April, 0,1% in May and June) was due to the values of indicators taken into account when assigning new pensions during this period, and not by reduction in size of previously assigned pensions.

In general, however, the total amount of monetary income of Russians during the period of the most stringent restrictive measures decreased relative to the same period in 2019. If in the first quarter of 2020 they amounted to 13 932,6 billion rubles (4,6% more than in the 1st quarter of 2019), then in the 2nd quarter – 14,464 billion rubles (or 4,8% less). In the first half of the year, the total amount of income received by the population amounted to 28 396,6 billion rubles, which was 0,4% less than in the first half of 2019, i.e. the gap gradually narrowed as restrictions were lifted.

It is important that the social support measures during the quarantine implemented by the Russian Government for high risk or low income groups gave a certain positive effect that can be described quantitatively. In the second half of the year, the income distribution index (Gini coefficient) amounted to 0,390, having decreased by 0,007 compared to the second quarter of 2019. The share of the population with the highest average per capita monetary income (more than 75 thousand rubles per month) decreased from 6,5% to 6,3%, as well as the share of the poorest (up to 14 thousand rubles per month) – from 22% up to 21,1%.

The closure of many trade and personal service enterprises, which reduced the volume of supply on the market, led to a sharp increase in the share of savings in the structure of incomes. In the second quar-

ter, savings grew 16,9% (in the first half of the year as a whole – 7,6%), while in the corresponding periods of 2019 – 4,3% and 1,6%, respectively. This phenomenon cannot be explained only by the desire of Russians to create financial reserves in the face of economic uncertainty, especially, in the context of the already mentioned decline income in the second quarter. In the second quarter, households used 68,5% of money income to purchase goods and services, which turned out to be 12.2 p.p. less than in the second quarter of 2019. It is also important that there was no significant restructuring of the population's monetary savings. Thus, in July, the share of deposit savings accounts amounted to 72,1%, and cash balances – 27,9%, while a year earlier – 73,4 and 26,6%, respectively.

According to Rosstat, consumer prices in July increased by 3,4% compared to July 2019. Moreover, this growth varied markedly in different commodity groups, including food products. Accordingly, the purchasing power of the average per capita cash income of the population for them could either increase or decrease. This accounts for the distrust to official inflation figures, often expressed on social networks and live broadcasts of TV channels, primarily the Public Russian Television (ORT).

It is important that the increase in prices for food consumed on a daily basis turned out to be generally higher than the increase in prices for non-food products and for services that are vital, but do not require daily purchases. In July, they were higher compared to December 2019 by 4,3%, while for non-food products – by only 2,1%, and for services – by 2,4%.

Of the 24 basic food items (in the terminology of Rosstat), the purchasing power of per capita income decreased for 16 items, or 2/3 of their total number. At the same time, the decline in 12 products turned out to be stronger than the consumer price index. Thus, the average Russian in July could buy less (compared to a year earlier) cereals (by 13,9%), apples (by 13,6%), rice (by 10,6%), butter (by 9%), vermicelli (by 7,1%), rye bread (by 6,4%), wheat flour (by 6,2%), lamb (by 5,8%), frozen fish (by 5,6%), milk (by 5,2%), beef (by 5,1%). At the same time, the purchasing power of the average per capita cash income of Russians for the remaining eight food products has grown. Most significantly the purchasing power grew for fresh white cabbage (by 72,3%), granulated sugar (by 33,3%) and carrots (by 19%).

The increase in prices for all types of non-food products in July compared to December 2019 was less than inflation. The exceptions were tobacco products, detergents and cleaning products, as well as electrical goods and other household appliances, prices for which increased by 4,9%, 3,6% and 3,6%, respectively. In the market of commercial services to the population, the increase in prices turned out to be higher than inflation only for such areas as resort and health-rehabilitation services (by 13,2%) and communication services (by 4,5%).

## **Conclusion**

The statistical express analysis of the impact of the pandemic on the Russian consumer market led to several conclusions that may become useful in making management decisions in the course of further development of the situation with COVID-19.

Firstly, the changes in the Russian consumer market turned out to be quite predictable: a sharp drop in sales under the conditions of strict quarantine measures was replaced by a gradual recovery as they weakened. The rate of recovery differed for individual goods and services, but in general it can be stated that sales of almost all goods and services did not recover.

Secondly, the consumption structure during the period of the most severe quarantine restrictions was archaic to a certain extent and reduced to satisfying vital needs (nutrition and hygiene).

Thirdly, the decline in household income has not yet had a serious impact on the dynamics of the consumer market. The decline in sales in many cases far exceeded the decline in revenue. This manifested itself primarily in relation to the markets for non-food products and paid services. Thus, the contraction of markets in the first half of 2020 was mainly due to supply, not demand.

Fourth, the quantitative assessment of the quarantine consequences in the context of the COVID-19 pandemic for the consumer market makes it possible to fine-tune them in the future. Such a fine-tuning will allow to follow the principle of “reasonable sufficiency” and, thus, minimize the risks for both the population and the economy.

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