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### SELF-DEVELOPMENT TERRITORIAL SYSTEMS AS THE INSTITUTE OF SPATIAL MODERNIZATION OF OLD-INDUSTRIAL REGION<sup>†</sup>

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#### **Abstract**

Opportunities and advantages of self-development territorial systems as the institute of spatial modernization of old-industrial region are justified in this article. Priority directions of formation and functioning, criteria for evaluating self-development territorial socio-economic systems are suggested in this paper (STSES).

**Keywords:** Spatial Development, Needs to Self-Development, Steps, Conditions and Criteria for Evaluating Self-Development Territorial Systems

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#### **1. Introduction**

Increasing population claims to federal authorities are concerning to a large range of issues, from the state system of the Russian Federation, the implementation of state functions in the interests of the whole population, but not its separate groups, till enhancing role of regional and local authorities in the system development of its territories. The main motive of these claims can be roughly grouped into three blocks. Firstly, the government must show the same attention for all categories of people and every citizen of the Russian Federation, and not divide them into artificial class and strata, contributing to the welfare of one and not burdening others. Secondly, observe the Constitution of the Russian Federation and does not increase constitutional norms into an object of political manipulation to justify its not always constitutional and socially important actions (decisions, reforms, laws).

Finally, thirdly, a significant and growing part of the Russian population concerns and worries about the question: why has Russia surpassed during 23-Th-plus years of market reforms only 1991 eggs and vegetables production, production of hydrocarbons, and at most other positions in production lag is increasing. But sizes and scope of corruption, bribery, theft of state budget funds and resources in various forms are steadily growing and multiplying. It is extremely slow and inefficient market development institutions are using, especially socially important and the most productive. The advanced forms of work organization, production and management of social development as a unity of innovative industrial, social and spatial approaches are slowly and inconsistently mastered. Enterprise, municipal and regional initiatives and autonomy, searching of new forms of spatial development and territory arrangement is seriously limited and constrained. Its innovation, education and management

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activity is deliberately suppressed. Incompetence and irresponsibility of leaders and officials from the power for the quality of their decisions is gaining strength

Without claiming to be exhaustive list of public opinion issues, pay attention to the possibility of regional and local socio-economic systems increasing role in the spatial development of the Russian Federation by using the institute of its self-development and self-sufficiency (Tatarkin, 2011).

## **2. Self-Development of Regional and Socio-Economic Territorial Systems as the Basis of Spatial Development Stability**

Sustainable balanced and socially oriented spatial development of people, but not only economic system of the Russian Federation is possible, in our view, by the active involvement into the economy initiatives, creativity and enterprise of all economic actors of the national market: small, medium and large business, public corporation, territorial and regional systems, government institutions of social and infrastructure direction. The full formation and operation of economic subjects in the market environment implies that all and each participant would examine and be oriented its actions and hopes to maximize outcomes with the requirements of market and competitive sustainability laws. This axiom is intended to strengthen market management initiative and enterprise management, including at the regional (municipal) level by creation of regional (RSES) and municipal (MSES), socio-economic systems that are more capable of self-government, self-sufficiency and self-development.

Initiative of leaders and regions' and municipalities' population in the creation on its territories clusters, business centers, technology parks and technological polices, the use of simplified procedures for registration and licensing of businesses, rental of municipal property, and many others, quite commonplace solutions allow, on the one hand, substantially increase market activity in the territory attracting market agents, resources and people of other territories. On the other hand, form basics, develop and accumulate self-development potential of the region or municipality. It is possible that both of them, if there is consistency in their actions, a clear strategy for the development of a regional market space with new and more effective development institutions. If there is a desire of federal officials to create conditions and support territories in their aspiration to self-sufficiency and self-development, quality development of the Russian space.

In the process of reconstruction and resettlement of Russian space the negative impact on these processes of international and other external risks, including those emanating from the federal government, neighboring areas and market agents is increasing. Therefore, sustainable development of the regional and local socio-economic systems assumes the coordinated functioning of the national socio-economic system and their concerted efforts to minimize risks and distribution of authority and responsibility for their consequences. Modern logic of socio-economic development of the national federal system may have a chance of viability with a clear and fair distribution of power (with tools and resources), and responsibility (collective and individual) between all actors of spatial development. Attempts to deviate from this rule usually end up with a concentration of risks and failures in the functioning of poorly protected subsystems of the national economy. More than 23 years of market reforms convinces that a general part of the population, small and partly medium-sized businesses, most of regions and 98% of municipalities are not enough protected subsystems in Russia because of imperfection of federative relations in tax and budget spheres.

It is known that the federative form of government is based not only in the interests of stability and accelerated socio-political and socio-economic development of the Russian Federation as a whole. The main task of the Federation is in the creation of favorable conditions and macro-economic springboard for expanding capabilities of each entering into it subject to ensure its socio-economic development in terms of territorial characteristics (historical, structural, ethnic, climatic, etc.) without micromanagement and tough teams of the federal government.

The logic of federative relations and the meaning of the Federative structure are incompatible with the power vertical or with sovereign democracy, nor with the appointment of the heads of executive authorities of Federation subjects, nor with any restrictions on the rights

of the population to create a regional party, to vote and to be elected to the legislative assembly of all levels nor with the organization of elections only by party-list or other restrictions. Federation in Latin means the voluntary union based on the unity of interests, and therefore any attempt to theoretical or practical deviation are equally dangerous for its unpredictability and the weakening of the stability of the federal and regional systems, ordinary failures and imperfections in the spatial arrangement and system spatial development of the whole Russian Federation and of each of its subject.

### **3. The Meaning and Conditions of Self-Development Territorial Socio-Economic Systems**

Most discussable question continues to be the definition of self-development territorial system, regional or municipal (Tatarkin and Doroshenko, 2011). In the literature, there are different approaches and criteria for self-development. Kudrov (2012, p.5) defines the socio-economic system as "a set of existing relations of production, ownership and public institutions in the format of an existing infrastructure in the form of industrial, financial, social and other institutions". Sukharev (2012) under the socio-economic system understands the relationship of a certain set of elements, the basis of evolution and functioning of which is a man with his ability to change, technological developments and the needs of the organization of social life.

Kleiner (2013) suggests reviewing system as "relatively detached and relatively sustainable in the space and time a part of the global (that is reviewed as system containing space) that is characterized by external entity and internal differences; and the system is considered as economic if it realizes processes of production and distribution, changing and consumption goods" (pp.8-9). The author attributes enterprises, organizations, markets, regions, countries and other entities and also socio-economic processes, programs, projects etc. to economic systems. "The world of economic systems" is different and can be classified into four types: objects, projects, processes and environment.

One of the founders of general systems' theory L. Von Bertalanffy argued, not without reason, that the organization of systems is manifested in those relationships between its parts with help of which the existence of the system itself is supported. That organization is as a link between its parts and other systems in the process of information transmission and regulation, the aim of which is to save her and also other parts of the system. That is why, territorial socio-economic systems are considered as independent complex organization structure and at the same time as elements of a higher organizational level (Tatarkin, 2011).

Representatives of the German Marburg School, developing the postulate of L. Von Bertalanffy, consider the economic system in the unity of its three characteristics. According to them, it includes, "firstly, the elements of management, in other words, natural and material resources, as well as the people and their roles of producers and consumers, and secondly, the economic relationship - processes of production, distribution and consumption within the business units and between them, and thirdly, the economic order or an organization that is constructed from the important for the economic process of law and institutional rules" (Shyuller and Kryusselberg, 2006). According to the authors, the economic system operates stably under two conditions: if the economic order is supported in the system, defined by the national political system through a policy of economic order, and if business processes are stably existed in the economic system with accordance with the rules and regulations of the national regulatory policies (Shyuller and Kryusselberg, 2006).

System approach in recent years has become an universal requirement investigation of any problem that needs a scientific decision. In this case, the general concept hides a diverse set of views on systemic. We can distinguish at least three understandings of the term system, which on the one hand, add each other and describe the sequence of steps of scientific research and design of economic processes. On the other hand - give us deeper insight into the essence of the system and to understand the genetic impulses of its most effective operation.

Firstly, system is traditionally considered as the most effective tool of research of economic phenomena and processes in the unity of its characteristics and different forms of expression. This understanding of the system characterizes it as an integral part of the general theory of knowledge. And from this perspective, a systematic approach becomes the basis, the general methodology of forming objectives, identifying problems and carry out research. This

systematic approach allows identifying the most general rules of spatial development of any socio-economic systems, identifying the basis for the classification and identification of development sources, and identifying ways to study emerging issues of questions of system functioning in these development frameworks.

Secondly, the system is generally viewed in the format of an objectively existing and possibly expected (projected) of the complex socio-economic processes and phenomena that are going to know and learn. National economic, regional, municipal, and other facilities, the mechanisms of regulation of relations and processes, forms of relationship between business entities, etc are considered as the systems. From this perspective, a systematic approach can be evaluated as a methodology for the analysis of specific socio-economic phenomena.

Third, the system is used as a set of methods and tools to achieve the desired goals of the organization of reproduction processes at different levels of social development. The system approach in this capacity is as a design methodology and implementation of production and economic objects of systematic character.

With such a variety of characteristics more fully define the concept of a system only in the "abstract approach", which allows a greater degree of certainty to analyze and study the complex processes and to predict the possible variants for their development under the impact of different regulation institutions. Typically, the researcher constructs a system of studied processes for challenge solutions. For purposes of this paper, such task is spatial arrangement by self-development territorial system. But even with an unlimited variety of specific and individual characteristics of system there is something common and repetitive, which manifests in a set of attributes of all complex objects and phenomena.

- The system is holistic because of its elements are interconnected and directed into achieving synergetic effect;
- The system is divisible and can be divided into homogeneous and heterogeneous elements;
- The system is plural, as the state and behavior of any part of character, and a simple sum of its component parts can not disclose the general nature of the system. Therefore the socio-economic system is a "complex hierarchical system, closely interacting with the environment" (Tatarkin, 2003, p.14);
- The system is dynamic (developing) under influence of positive (synergetic) and negative (cybernetic) links and processes, internal and external;
- Any social system is managed for achieving socially important result.

All these ideas can be considered self-development of regional socio-economic systems as a sustainable capacity of the region (municipality) in the conditions of macro environment to provide expanded reproduction GRP within the available potential of their own resource capabilities and revenue sources for the implementation of both macroeconomic objectives and national priorities and intra-regional target setting of system character.

Self-development of regional economic systems, especially regional, shows the presence of two systemic conditions. Internal self-sufficiency of the regional economic system capable of maintaining its organizational integrity and ensure long-term sustainability of regional development through:

- necessary and sufficient material, labor, financial and other resources, and production, infrastructure and other opportunities (in particular initiative and enterprise of the population), providing expanded reproduction GRP;
- objectively defined mission and goals of region self-development, its priorities, motivations and market sources<sup>1</sup>;

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<sup>1</sup>The mission and purpose are intended, on the one hand, based on the target set of macroeconomic system as a whole, providing them with a system implementation. On the other hand – to ensure the implementation of the regional target setting, which reflect regional interests and needs of the population living in the region. Fully as possible to implement the regional interests, as part of the macro-economic needs in the process of self-development is a powerful motive for sustainable, balanced and socially responsible development of the entire national system with the use of the initiative, creativity and entrepreneurial activity of the population and market agents territories.

- intra-regional production, infrastructure, management and organization, territorial and other subsystems that can autonomously reconfigured under the influence of internal and external changing factors and circumstances;
- personnel territorial self-sufficiency systems capable to provide the basis for an innovative self-development.

A favorable external environment (the environment), in its entirety ensure sustainable self-development of balanced regional socio-economic systems on the strategic perspective. The external conditions that can ensure the formation and stable functioning of regional economies, most of authors identify:

- the socio-political and ideological readiness of federal and regional leadership to ensure the achievement of socio-economic parameters by self-development of regional and local economies. Fundamentally important is considered the perception of most of the population and regional government ideas of self-development as the most available and reliable forms of realization of their individual and group needs and interests of its support for macro-economic conditions and guaranties;
- constitutional and legislative guarantees to regions and macro-economic opportunities (tax, budget, credit, property, etc.) to use a model of self-development for the macroeconomic objectives and priorities, and sustainable solutions of systemic intra priorities and target settings;
- practice expanding of competitive attraction of regional and municipal governments and territorial business society to the realization of national programs and projects.

The imperfection of external conditions of regional and local socio-economic systems is written and spoken by many researchers (Artobolevsky, 2013; Valentey, 2008; Boldyrev, 2012; Ilin and Povarova, 2013; Melnikova, 2013) and official papers confirm these facts (Federal Law "About strategic planning in the Russian Federation", The concept of improving the regional policy in the Russian Federation). Therefore, further discussion of the problem and the real improvement of the external, macroeconomic, political, ideological and legal conditions, from our view, allows not only forming a federal guarantees and favorable conditions for the self-development of regional and territorial systems, but will also encourage them to search new opportunities to move in this direction. Among many discussion external conditions that may substantially increase efforts of regional and territorial economic systems to self-develop, strict compliance by all levels of government the Constitution of the Russian Federation occupies a special place.

The requirements of the Constitution of the Russian Federation in the federative arrangement require from the federal and regional authorities actions on the distribution of powers and their real budgetary provision, using federative schemes and mechanisms of relations between the federal center with the Federal subjects, improvement of the legislative process in the implementation of the joint jurisdiction of authority, etc.

The meaning of any federal system of public education is always based on two interrelated processes.

Firstly, voluntary association of autonomous regional (national, territorial) systems is into a larger system by delegation the latter part of its power on the basis of multilateral or bilateral treaties and agreements and the guarantee of system development of the Federation as a whole.

Secondly, autonomous performance of all other powers, except transferred and assigned to the Federation, subjects of the Federation in the interest of sustainable development of its territorial system.

Although Russian federalism has its purely national characteristics, the essence of deep division and autonomous using of their powers by federation is mandatory for all federations.

Discussions arise about the use of the Federation and its constituent entities conducting joint powers enshrined in Article 72 of the Constitution of the Russian Federation. This is the range of issues, mainly economic and social values that the Federation can and must solve with the participation of all, or only interested in this decision of subjects. While this power group for the most part is "privatized" by the federal government, its federation performance has priority

over regional solutions. The logic of such arguments and actions is based on two arguments (Tatarkin, 2001).

First, by virtue of Part 5 and 6 of Article 76 of the Constitution of the Russian Federation Federal laws, and, consequently, their solutions appropriately decorated, have a priority in their own spheres of competence of the Federation and the joint jurisdiction. In the sphere of the Federation subjects' competence (Article 73 of the Constitution) it is defined as a residual and in the case of different versions of legislative regulation of the Federation and subjects of the Federation, the priority is given to the subjects of the Federation. Although the supervisory practice goes the other way, requiring reduction of the regional law in line with federal laws (Valentey, 2008).

Second, specified in Part 5 and 6 of the Constitution of the Russian Federation priorities of federal regulation of joint authority over the subject received judicial confirmation of the decisions of the Constitutional Court, which in its judgment of 9 January 1998 number 1-P (on the Constitutionality Forest Code of the Russian Federation – FL RF. № 3 Art. 429) recognized the constitutionality of the legislative right of subjects of the Russian Federation to regulate the joint jurisdiction of their own and in the extent to which they deem appropriate. The executive bodies of the Federation got an opportunity to exercise the powers under the joint jurisdiction, leading to greater monopolization of the Federation in the sphere of regulation of social and economic processes. Adopted Budget Code, Tax Code, Land Code and other legislative acts on the joint jurisdiction with additions and restrictions have not left to the Federation subjects any possibility to influence these processes to their advantage. And even defend them in court. "As a result of permanently changing legislation as become one of the main barrier of the federalism modernization" (Valentey, 2008, p. 235).

Some authors see the civilized solution of this problem in further legislative detail procedure of exercising the powers of joint jurisdiction. To this aim, they have developed and proposed for discussion a draft of Federal Law "On the interaction of federal bodies of state power and bodies of state power of subjects of the Russian Federation" (Molchanov, 2011). Others, in particular, Doctor of Law, Professor, Member of the Constitutional Court of the Russian Federation A. Kokotov, suggested a return to the practice of the 90s and used for this purpose inter-federal bilateral agreements with the subject of the Federation on a "clear division of the prerogatives of the Federation and the subjects in their areas of joint jurisdiction" (Tatarkin, 2001, p.38).

Leksin and Shevcov propose to consolidate the process of legal mechanisms to coordinate the interests of the organization and cooperation between federal, regional and local authorities in implementing the joint jurisdiction of the authority to carry out in three variants (Lexin and Shvecov, 2003): joint (subjects and the federation) development and adoption of federal laws on the subject of each individual joint jurisdiction; complement federal laws must include provisions on specific mechanisms of interaction with identifying the subject of the necessary tools, the development and adoption of the Federal Law on principles and the order of coordination and organization of interaction between the government of the Russian Federation and the bodies of state power of subjects of the Russian Federation on joint jurisdiction, which should be the main act of the nature of the framework for the legislative and executive branches of the federal and regional levels. This version was developed in the work of the authors of The Problem Analysis Center and the Governance (Molchanov, 2011).

Each of the options certainly has the right to adopt if any, then to the discussion, if only because they have undeniable advantages to the existing practice of monopolizing power and revenue at the federal level and the increasing privatization of the responsibility for the delay of their transfer to the regional and municipal levels. The quality control, the power of authority, incapable of rational distribution of powers between levels of income and power in the interests of social development, not in spite of it are suffered from such manipulation. Russian population and Russian business without getting the appropriate environment and conditions for normal life and work are suffering.

In order to discuss it is proposed copyrights of powers of joint management.

The first variant is widely used in the U.S. and as practice shows it encourages legislative and executive bodies of federal and states to search and find a compromise at the level of preparation and discussion of the draft law (Vagner and Markvart, 2015). In this way

legislatives develop activity in Canada, Germany and other countries, including the unitary (Sweden, Austria). The essence of this variant is in accounting all the proposals of the federal subjects (states, provinces) are already at the stage of preparation of the bill. In discussing the representatives of the Federation subjects (FS) in the Legislative Assembly spies for suggestions from their regions (lands of the states). In the U.S., for example, if the suggestion of the state is included or partly included, its legislative body can not ratify a federal law and it will not operate in the state. Partial ratification is possible, in which only those articles of the federal law that are approved by the legislative body of the subject.

Such procedure matching the interests of the Federation and the subjects significantly lengthens the procedure for the adoption of the federal law, but significantly improves its quality. The advantages of this option should be attributed, in our opinion, and the real part of the federal subjects in the federal legislative process, which undoubtedly enhances their status as bearers and defenders of regional interests.

The second version of our proposal boils down to a special legislative procedure, regulatory powers of joint management. The essence of the proposal is in the division procedure for the adoption of the law on two stages. At the first stage of the federal legislature adopts a framework law, which spells out the relevance of legal regulation of the joint jurisdiction of the authority, the object and the subject of regulation, the goals, objectives and outcomes (effects) adoption of the law, the priority areas of legal solution to the problem and possible mechanisms (institutions) of its implementation at the federal, regional and municipal levels. The Framework Law on the Fundamentals of its content is similar to legislation of the USSR, which is widely practiced in the Soviet period and on the basis of which the Soviet republics developed and adopted codes of republican (Labor, Housing, Family, etc.).

Pursuant to the Federal Law (FL) federal subjects establish a regional law "On the implementation of the Sverdlovsk (Moscow, Leningrad, Yaroslavl, Altai Territory, etc.) of the Federal Law", which, taking into account local conditions and priorities, mechanisms and institutions, opportunities consistent implementation of federal installations and priorities within a single member of the Federation are prescribed (Tatarkin, 2008).

With showing of external differences, all of the proposals prove one thing. The problem of the joint jurisdiction of authority needs to be addressed without compromising the public and limiting the autonomy of territorial systems of self-development in the local context and the existing potential. External economic factors and mechanisms of influence on regional development, due to macro-economic changes and fluctuations of the world market of goods and services, the participation of the regions in international programs and projects, the development of the integration of international relations of the regions and the country as a whole require a balanced regional approach to balancing them. Such a balanced approach is necessary in order to maintain self-sustaining focus in the region, using the possibility of the international community for technical and technological modernization and development of domestic production of import-substituting goods and services. Finally occurrence of regions in international economic integration ties with the appropriate positions to strengthen and enhance the competitive position, limiting the import dependence and enhance innovation-based production and export capacities of regions and country as a whole.

Self-development of regional socio-economic systems cannot be sustained and balanced without constant self-renewal through the active use of science and the world of practice, improving the forms and methods of territorial organization and cooperation of labor and production, the expansion of inter-territorial relations and integrate them under the scheme: The power ↔ Science ↔ Business ↔ Education ↔ Population → Quality of Life. The implementation of these measures to update and expand the sources of self-development requires the rejection of any existing constraints, whether the ban on using budget funds for basic research in the interest of the region or territory, using participation rights by means of the territorial budget in the creation of joint-stock companies, companies, clusters, business - areas, etc.

System-forming role of external conditions, warranties and factors on the formation and functioning of the self-developing regions is seen in the following. If intraregional economic self-sufficiency of the system provides the sources of its development and reproduction GRP, simple or advanced, the external environment will be directed to create and play back the socio-

political, legal, macroeconomic and external economic environment that can provide the most complete and efficient using of regional opportunities and resources for the general federal and regional targets.

#### 4. Stages of Formation and Development of Regional Socio-Economic Systems

Formation of self-developing regional economies is a long and sustained process. Traditionally it is considered the development of territorial passes through three stages (stages).

*The first stage-the territorial self-organized system, characterized by the formation of regional systems from scratch in-system self-organization.* Hence the name - self-organizing territorial socio-economic system, that is capable of providing an organizational resilience to external and internal environment. Self-organizing territorial economic system under the influence of external and internal conditions and factors can be reconfigured for new tasks and the implementation of revised priorities. Typical self-organizing systems are territorial closed administrative territorial organization (CATO), nature reserves and other territorial entities of the federal or regional subordination, located on the estimated budgetary funding to carry out certain state functions in the area.

*The second stage-the self-regulatory (self-governing) territorial economies.* They represent a higher level of territorial self-organization. Its peculiarity is manifested, firstly, to a greater autonomy in meeting the operational and strategic goals of the system, a choice of directions and priorities of the internal organization and development of relations with other systems. Secondly, they are endowed with the ability to use for their socio-economic development of the part of the GRP produced within the system, and to create their own intra economic agents and structure.

From the standpoint of the general theory of control, the most common and reliable way to determine the self-governing territorial and regional socio-economic system is based on three components: the territory is suitable for living + population living in the territory that they have + the collective needs and interests in the territory development = self-regulation, self-management, self-development.

To highlight the individual subsystems in the process of modeling, which can be described mathematically, the representatives of the theory of systems modeling propose to determine the socio-economic system as "a set of homogenous socio-economic process (relationship) - from the set of individuals, and ending with the society as a whole" (Shiyan, 1996, pp.135-136).

Be noted that this definition is given only to simplify the modeling capabilities of socio-economic systems and the possibility of obtaining comparable results. In fact, the socio-economic system of regional and municipal levels, even in the status of subjects of the Federation cannot be completely autonomous. Self-regulation and self-government which is within the boundaries of the corridor of autonomy and the aggregate of powers established by the Constitution, contract or other legal act of subsystem. For municipalities subsystem serves regional system, and in relation to a regional - the federal government, which in the framework of the Constitution of the Russian Federation can push or narrow corridor of autonomy.

*The third stage-a self-developing territorial socio-economic systems (SDTSES)* are often identified with autonomous sub-systems, have the greatest national economic system after a set of powers for the socio-economic development of the territories. Among the self-developing regional systems can be attributed part of the region - the subjects of the Federation classified as donors, special (free) economic zones, which operate on the basis of the territorial self-sufficiency.

Problems of self-support and self-development of socio-economic systems at the attractiveness and unaccustomed to understand, are not clearly perceived as the scientific community and government officials at all levels. Among the reasons there is a lack of macro-economic guarantees, fear of responsibility, lack of qualified personnel, and others.

The most-repeated argument of critics of self-development territorial socio-economic systems is the risk of loss of the national economic system of political integrity and unity of the exposed population and the separatist leadership in separate territorial entities. The reasons of



these negative processes are different, both objective and subjective, of which we would like to draw attention to two reasons that deserve special scrutiny, reflection and correction.

First of all, this is a low level and quality of population life. The absence of any clear and easily understandable by most of the population measures taken by the federal government to improve its social well-being provokes society to support any separatist movements and performances. But this fact is not an argument against self-territorial systems. It is fairer to attribute it to the poor performance of the government, especially state. World practice gives many examples of how such incidents successfully are extinguished by timely positive response of the federal government creating or adjusting the macroeconomic environment, the development and the signing of the Federal Treaty (in Canada, for example, with the province of Quebec). As a mechanism for coordinating the interests of the Federation with the individual subjects there are special procedures of collective discussion questions by representatives of all regions (lands in Germany) to assist the individual subjects in the allocation of special funds to support the provinces and territories to establish the tax benefits, distribution, investments, etc. This practice is actively carried out in Germany, and India, according to the positively valued by all participants of federal relations.

The second reason is based on the visible differentiation of the Federation in terms of fiscal capacity and decreasing the efficiency of the distribution of tax revenues. The absence of a positive response from the federal government in the search for compromise solutions encourages individual subjects to pose the question of the revision of the Federal Treaty and even out of it. This scenario has been separated Pakistan from India and Bangladesh from Pakistan. In recent years, an example of such a separation was called the separation of Kosovo and Montenegro from Serbia. The separation from the U.S. states of California and Texas, etc is initiated at the level of the discussions.

Federative form of government is considered to be the most democratic, precisely because it largely has the ability fully and expeditiously to consider specific features and disruptions in social and economic development of most of the territory of the Federation through the conclusion or renewal of existing federal contracts, using opportunities for federal assistance to each subject. The rejection of these actions in Russia leads to tragic results (Artobolevsky, 2013).

Zubarevich identifies three reasons for restraining an active regional policy and limiting the ability of regions to self-development (Zubarevich, 2009). The first one is the growing regional disparities and the lack of federal mechanisms to equalize the levels of development of the regions. Secondly, increasing the lead of a few regional leaders from all the other slows down and limits innovation transferring and other sources of economic growth in decreasing regions. According to the author, only a quarter of Russian population lives in regions that has resources for modernization and development. To Moscow, for example, it is accounted for 22.5 percent of Russian GRP, and including Moscow region – 27.0 percent. Income of Moscow population is made up 20 percent of the incomes of the Russians, with 7 per cent of the capital share in the Russian population. Ten major regions of the Russian Federation provide 57 percent of the production of GRP and other regions of the economic forecasts in the development of society do not and cannot do because of the excessive centralization of power and revenue at the federal level (Dorofeev, 2015).

Third, the most important constraint of economic and spatial development of regions is limited sources of economic growth due to weak infrastructure and negative impact of cost factors (prices, rates, distance from markets, high migration, etc.). According to assessments, in the beginning of 2015 indebtedness of regions reached 2.4 trillion rubles in compare with 660 billion at the beginning of the 3<sup>rd</sup> quarter of 2014 (Primakov, 2014; Dorofeev, 2015). Excessive centralization of management, limited the ability of regions to take the initiative and enterprise of socio-economic development of the territories influences negatively.

## 5. Level of Availability of Territorial Socio-Economic Systems to Self-Development

The method of using tree indicators, that are able in joint activity to evaluate availability of that or this region to self-development is suggested by the Institute of economics of the Ural branch of the Russian academy of sciences (Zakharchuk *et al.* 2013; Zakharchuk *et al.* 2011).

According to the first indicator, a self-developing social and economic systems is accepted to the territory in which the growth of the gross regional product for a long time higher than the average for the Russian Federation.

The second indicator expresses the security of the growth of own revenue sources. In other words, the subject of the Federation shall carry out socio-economic development of the region through domestic revenue sources, and not through subsidies, transfers from the federal budget. This criterion is not possible to include in the list of regions providing self-development such external estimates steadily developing regions such as Ivanovo, Voronezh, Vologda, Arkhangelsk, Chelyabinsk, Samara, Volgograd, Tomsk, and some other regions, Krasnoyarsk, Perm, Khabarovsk, Primorsky Krai, the Republic of Tatarstan, Bashkortostan, Yakutia - Sakha, Komi and others.

The third indicator of self-development of regional and economic systems is designed to reflect the balance of regional flows of goods and money in the process of integration and interaction with other actors in the domestic and global economies. It is about the ability of the regional economic system to stably maintain a positive balance of trade and financial (payment) balance.

The proposed indicators require public discussion and clarification, especially in view of the socio-economic systems (regional, municipal), their status (area, region, republic, autonomous region), the structures of the economy, the climatic conditions, infrastructure support and other. It is important that they, on the one hand, can be the basis of discussion and serious analysis of federal relations in the Russian Federation in terms of market freedoms and autonomy of market agents. Understanding the problem allows to expand, not to limit the range of autonomous institutions in healthcare, higher education, and other areas of the public sector regions and municipalities.

On the other - these indicators allow us to estimate the ability of regional socio-economic systems, even in the current, very stringent conditions for regional development, to ensure a balanced and sustainable socio-oriented self-development. The results of this assessment will be talking about the reality of self-development of regional systems if not by law, then at least after the fact.

Building on the proposed indicators, it is possible to distinguish certain reservations regions that can provide self-development even at current is not the most favorable macroeconomic conditions.

Central Federal District: Belgorod, Moscow, Orel, Yaroslavl region, Moscow;

Northwestern Federal District: the Nenets Autonomous District, Kaliningrad and Leningrad region, St. Petersburg;

Southern Federal District: the Krasnodar Territory, Astrakhan Oblast;

Volga Federal District: Republic of Mordovia, Orenburg and Saratov regions;

The Ural Federal District: Sverdlovsk Oblast, Khanty-Mansi Autonomous Area - Yugra, Yamal-Nenets Autonomous District;

The Siberian Federal District: Novosibirsk, Omsk region;

Far East Federal District: the Sakhalin region.

Highlighted on the mentioned indicators self-developing regional economies are overly different both in terms of socio-economic potential, and the structure of the economy. If you focus on the structure of the GRP, the selected regional economies according to their specialization can be divided into several types: resource-self-developing regions represent the Khanty-Mansi Autonomous Area - Yugra, Yamal-Nenets Autonomous Area, the Nenets Autonomous District, Orenburg and Sakhalin regions, agricultural - Krasnodar Territory, the Republic of Mordovia, Belgorod, Orel and Saratov regions, industrial - Yaroslavl, Astrakhan, Sverdlovsk, Omsk region, administrative centers - Moscow and St. Petersburg; evenly developing regions - Moscow, Kaliningrad, Leningrad, Novosibirsk region.

The second group of regions includes those members of the Federation, which were not included in the top twenty stable self-developing regional socio-economic systems for a number of reasons, but with the political strength of the federal and regional authorities could be eliminated (unstable GRP growth, the use of the federal budget to maintain high growth rates of GRP, the lack of a sustainable balance of trade and financial results, and some others). This group includes such subjects of the Federation as the Republic of Tatarstan, Bashkortostan, Perm and Krasnoyarsk, Chelyabinsk, Volgograd and other areas.

A separate question is successfully developing regions in the special natural, climatic and geographical conditions. It is suggested to refer to those regions the Primorsky and Khabarovsk regions, Amur, Magadan, Irkutsk and Chita regions and some other regions. To reach the level of self-developing for them is necessary, in our view, to revise macroeconomic conditions. This is especially true of subsidies from the federal budget to compensate for transport costs, surcharges northern and some other factors. The implementation of these measures will increase the number of self-developing regions up to 60-65. With the remaining 18-23 regions will have individual and purposeful work on their "pulling up" to the level of a stable self-developing, or have to solve the question of the appropriateness of the self as a regional system to perform certain functions of government in the region. In this status, some of the autonomous republics and autonomous communities (regions, districts) can develop addressing issues of economic restructuring and transfer it to an intensive script development. According to some regional economic entities it is gone back to the question of their accession to the other, capable of providing a stable sustainable integrated regional socio-economic system.

## **6. European Practice of Regional Development and Opportunities of its Development in the Russian Federation**

The study of international and domestic experience and practice of regional development confirms the desire of some countries, especially European, to create the conditions to ensure self-development of socio-economic systems. For this purpose, for example, the European Union more than half a century (from 1957) has a policy of uniting Europe on the basis of regional differences (Zubarevich, 2009). The lists of instruments of regional policy of the European Union's system are considered by most regional development funds:

- in 1958, the European Social Fund was established for the benefit of centralized solutions of individual problems to neutralize regional differences and the development of inter-regional integration and cooperation on the basis of average standards of social security;
- in 1975 the European Regional Development Fund was established to support regions in need of structural and investment maneuvers, the development of new industries and environmental issues combined efforts of the regions of the European Union;
- in 1993, there was a special Cohesion Fund for Regional Development with priority development of cooperation in the field of research and development, the implementation of scientific developments in the production and development of innovative (competitive) products, the environment and transport. In recent years, the Cohesion Fund specifically focuses on the financial support of the regions and countries of the European Union, the level of development lags behind the European average. In essence, it is solved the problem of creating for all countries and regions of the European Union conditions for them strategically sustainable self-development.

Russia, unfortunately, does not have the established and stable working of market institutions and instruments to support regional development. Created by the Ministry of Finance of the Russian Fund for Regional Development is essentially the first step of the Government of the Russian Federation to address the needs of regional self-development within the federal government. Unfortunately it is difficult to judge the effectiveness of the fund, enhancing its role in aligning the levels of development of the Federation. So far, his abilities are as shy and only to support the subsidized regions. Even this circumstance made the procedure to improve the distribution of its funds, to go from individual solutions to collective decisions of the Minister of

the Federation Council deputies or representatives of the Council of the Federation Fund. There is a need to clarify and identify the criteria for the distribution of the fund, the aim over time is to accumulate it means currently used in the form of grants, subsidies, transfers (Sidorova and Tatarkin, 2013). Finally, there is a need more serious legal regulation of formation and use of the fund to support regional development.

The problem of formation of self-developing regional socio-economic systems is seen in the absence of whole regional policy, although its development efforts have already been made (The concept of improving the regional policy in the Russian Federation). In the project of Concept of Improvement of Regional Policy in the Russian Federation is as a priority formulated the idea of the transition of the Federation and the stable functioning of municipalities on the model of self-development. The idea certainly deserves attention and support, but again, with regret, that it is tacitly neglected. Although, again, the idea of timely and promising, especially for the Russian Federation, which includes 85 subjects of the Federation with the different status (republics, autonomous regions, territories, regions, cities).

There is a need, in our view, greater use and the Soviet experience of the transferring of certain regions, union and autonomous republics to the principle of self-sufficiency and "self-financing" by the establishment of a stable and long-term standard deduction of taxes collected in the region in the Union budget. At the initiative of the Sverdlovsk region, the Middle Urals led this movement and in 1989 began work on the principles of territorial self-financing. Later this movement Estonia, Lithuania, Tatarstan, Bashkortostan, Yakutia, Leningrad region, and some others joined. Sprouts of territorial self-supporting and self-financing has become to live on the light at the municipal level, especially in the so-called "closed" and semi-urban areas. Unfortunately, the experience of regions and municipalities in the self-financing could not be saved and replicated. That experience died in the fire of turbulent market reforms of the early 90's, and was lost forever. Although, the Republic of Tatarstan, Bashkortostan, Sakha (Yakutia) until the beginning of XXI century, enjoyed the fruits of the Soviet experiment, deducting the budget of the Russian Federation from 10 to 30% of the taxes collected in the territory.

Today it is difficult to predict the specific terms of mastering the basics of self-development of regional systems. This will require both time and costs, and the development of new working methods, and the creation of the required macro-economic conditions, and most importantly - the political will of the federal leadership to serious changes in regional policy. All this is certainly needed.

It is fundamentally different. At a time when all the advantages of strengthening the "vertical of power" have been exhausted, and the national system operates with decreasing efficiency, you need to quickly develop and introduce new and more efficient models of (tools, scripts) and resources of spatial development. Among the latter, the most promising are the formation and development of business areas based on municipalities, clustering, techno policies, transfer centers of advanced technology, technological platforms, market institutions of consolidation of over the regions natural, labor, land and forest resources, reform of property relations, and alignment with federal device tax and budget legislation, and others. It is principally should be considered withdrawn from the regional legal and other restrictions in terms of their development of the regional state-owned corporations on the basis of public-private partnerships to address the structural modernization and restructuring, improve the competitiveness of domestic production through its innovative renewal.

Positive impact on spatial socio-economic development of municipal and regional economic system has the creation of inter-territorial clusters, which are based on production and territorial integration and cooperation efforts of the authorities at all levels of business and science for sustainable, balanced and socially responsible development of territorial and regional economies. The practice is still not very long of building on the territories of the Middle Urals cluster "Titanium Valley" (Verkhnyaya Salda) for the production of products and billets of titanium airframe and other industries, building a cluster-based construction companies and small construction business, pharmaceutical cluster for the production of medicines and medical equipment to health care and other evidence of the benefits of market institution. Even in the context of the financial and economic crisis, the cluster structure significantly increased the number of members of the cluster association by the enterprises of the Sverdlovsk region, Perm region, the Republic of Bashkortostan and other already providing jobs for more than 1,500

people from the labor surplus areas and mono-towns. If you take into account the synergies generated production and territorial cooperation, the specified number can be doubled (Sidorova and Tatarkin, 2013).

Initiative of territories can be accounted as positive, which together with companies, universities and science centers are organizing a collective or shared a unique and expensive equipment, training centers work on this equipment, the centers for the production of tools and equipment for business structures. Particularly promising venues transfer of new technologies, technical and management solutions in areas monospecialized (mining, logging, farming, and defense), allowing reducing the cost of acquisition of development activities, research and training, through the expansion of cooperation between the companies, the integration of the scientific and university teams.

Centralized management in a self-development of regional economic systems can be justified only in exceptional cases - by the decision of the legislature of the Russian Federation, and only in respect of chronically unprofitable (subsidized) regions as an opportunity to "launch" them on the path of sustainable self-development.

For this category of regions there is a need to develop an output region program from subsidized state. At the end of the program period, his fate may be determined by translation into the category of self-developing software or renewal date of preparing the conditions for self-development, or the decision to join the more successful region or regions.

## 7. Estimate of the Sustainability of Self-Developing Socio-Economic Systems

Stable and sustainable function of any complex system, while minimizing risks requires coherence of all its parts (subsystems) in dissected whole. National socio-economic system is the organizational form of Matryoshka (it is a doll with a lot of dolls, which are situated within the main doll). And not only because of the smaller economies formally copy and reproduce the property of a larger system; mainly because most Matryoshka-system sets the pulse steady consistency over the smaller systems. The stability of the system with a minimum of risk is estimated by the relation of "order" and "disorder" and its violation leads to failures in the operation, loss of reference points and the collapse of the system. The solution to this problem is well known to science and is a composition of:

$$Xi (100\%) = Xb + Xm,$$

where

$Xi$  - a level of stability and integrity of the economic system, taken as a "1" (100%), its ability is to provide sustainable self-development;

$Xb$  - most of the institutions and processes in the system, ensure the maintenance of "order" in the functioning and stability of the system;

$Xm$  - a minority of institutions and processes that violate the stability of the system and its destabilizing self-development.

Solution of the problem is seen as a formal basis for the development of harmony. Leonardo da Vinci described the anatomy of such as a "golden section" and it is the basis of the stability of any system, including economic. The definition of "golden section" in the form of equality:

$$\frac{Xi}{Xb} = \frac{Xb}{Xm}$$

gives (via the quadratic equation) response:  $Xb=0.62$ ;  $Xm=0.38$ .

Comparative evaluation of the stability of regional and local economic systems can be illustrated by the approximate relation share Federation and territorial systems to the "golden section" on a number of indicators (Table 1).

**Table 1. The Approximate Relation Share Federation and Territorial Systems to the "Golden Section" (%)**

| Indications   | Levels | Total | Including      |                                |
|---|--------|-------|----------------|--------------------------------|
|   |        |       | The Federation | Regional and municipal systems |
| 1. The consolidated budget of the Russian Federation 2013   |        |       |                |                                |
| • Revenue   |        | 100   | 64.3           | 35.7                           |
| • Expenditure <sup>2</sup>                                  |        | 100   | 48.3           | 51.7                           |
| Land Fund of the Russian Federation (excluding settlements) |        | 100   | 97.5           | 2.5                            |
| Forest Fund of Russia                                       |        | 100   | 98.7           | 1.3                            |
| The percentage of shares of industrial companies            |        | 100   | 76.4           | 23.6                           |

If we evaluate the stability of territorial economic systems on the above indicators, we need to pay attention to a number of circumstances.

First - none of the above indicators do not establish a trend of stable stability of any development of the national (federal) nor in the self-development of regional systems, as allowed large deviations from the "golden section", although the income of consolidated budget and the share ratio of shares of industrial companies like it is not critical. This fact could soothe some, but not all, and not for long. The ratio of income of consolidated budget (59.8:40.2) and the proportion of shares of industrial companies (78.9:21.1) could be justified for a unitary state. And it is only as a temporary deviation from the norm. But it is by no means something that can not reflect the federal form of government of society in which harmony is provided by the ratio of the share of the Federation and the subjects as 38:62. Not by chance the Russian model of federal system, many authors have no reason to describe as a "quasi-federalism", "unitary federalism", etc. (Shvecov, 2008, p.6). Senchagov suggests formation new paradigm of budget politics, based on maximum full financing provision of problem decision in a real economy and social sphere by even price of saving in reasonable bounds budget deficit, external debt and limitations of savings in reserve funds (Senchagov, 2012).

Second - under the current monopolization of resources in the hands of the Federation, the possibility of self-development of regional and local economies cannot go beyond the theoretical and methodological interpretation scenarios stable sustainable development of national and regional systems. It was said at the expanded meeting of the Financing Ministry on 8<sup>th</sup> of April 2013 by the prime Ministry D.A. Medvedev, Head of Federation Council Matvienko and other participators. Financing Minister A.G. Siluanov said about imperfection of intergovernmental relations and suggested to expand independence of regions in the realization of its socio-economic politics without liabilities of federal governments that transfer their powers to regions without its financing provision. In the result of this "power transferring" in 2011 57 regions performed their budgets with minuses, but in 2012 number of subsidized regions increased. According to Matvienko, only during 2011-2012 volume of region budgets' borrowing increased on 260 billion rubles. If before 2011-2012 the level of co-financing of house overhaul was from 20 till 50 percent of its costs, since 2013 Fund of house-keeping reforms has increased this norm to 70% (Finance Ministry, 2012).

Existed practice of intergovernmental relations, from our view, shows excessive increasing of monopoly position always and under all circumstances harm social development. Especially if it is a monopoly position not being monitored and assessed his damages. And it

<sup>2</sup>Fiscal policy of the federal center in the last 15 years is directed to budget surpluses of Federation including through the transfer to the regions and municipalities unfunded budget revenues powers (Sidorova and Tatarkin, 2013; Primakov, 2014). Sustainable "capacity" of budget negatives in the relationship of the Federation with the subjects and municipalities gave grounds to say about the budget crisis of Russian regions, which can be overcome only by concerted efforts of all participants in the budget process, not the commands of the federal center (Tatarkin, 2008; Sidorova and Tatarkin, 2013).

can be very large and already significantly declares itself uncontrolled deforestation and poaching export of timber and timber products, huge and ever-increasing size of unused agricultural land plundered sanctuaries and nature reserves, artificially bankrupt state-owned enterprises and many other factors related to the barbaric monopolized by the Federation of resources.

Third - materials tables demonstrate market ideology is inadequate behavior of the federal government. Instead, make the most of more resources to get involved in the economic cycle, increasing the income of the state, municipalities and the public, land and forest resources are essentially withdrawn from the market or used in the informal sector. Securing the authority to engage in market circulation of land and forest resources for regional and municipal authorities, the development of rental and the formation of the territorial and federal land rental markets and forest areas could contribute, in our view, substantially increasing economic activity and eliminate barriers in the thorny road of self-development for many regions and municipalities.

In assessing regional economic systems on self-development, it is involuntarily a paradoxical situation. If there are objective conditions and the understanding of a large part of the community need of spatial development including improving federal relations, the connection to the social development of regional and territorial systems, there is no subjective willingness of federal governments to attract population of the country to solving problems for saving and increasing spatial differences of socio-economic modes, historical and cultural features/ initiatives and enterprise of territory citizens.

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