

# SCIENTIFIC REVIEWS. OPINIONS

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## Enhancing the Sub-Federal Management Link as a Crucial Factor in the Formation of an Innovation Economy

A Review of the Book: Bukhval'd E.M. (Ed.). *Priorities of Modernization  
and the Increasing Role of the Sub-Federal Level of Management: Monograph.*

Moscow: IE RAN, 2015. 290 p.



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The time has come when objective impossibility of a positive alignment of levels of territories' socio-economic development, creation of new points of sustainable economic growth, optimization of migration flows and solution of other problems of regional development policy in a transactional type of economy has become quite obvious. The long-awaited structural changes will occur only under the influence of innovative modernization which opens an additional source of development for stagnating and

regressing Russian regions. But passive course on innovative modernization will not ensure the desired progress. The emergence in Russia of an innovation-oriented model of the economy requires the authorities at different levels to take active steps to use the entire set of tools contributing to such a radical transition.

An important role in this case belongs to institutions and development tools which meet the specific features of the modernization conditions in the economy of heterogeneous Russian regions. This suggests that only the

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transition to a qualitatively new stage of the federal regional policy can be a reliable guarantor of the transition to an innovative model of economic development. It is no secret that the state regional policy should be variable, flexible and adaptable. However, in order for a particular region to take an active part in the modernization of the domestic economy it is necessary to have the appropriate powers. Therefore, the desire of the federal center to achieve the authority decentralization is a pleasing fact. At the same time, not all powers possess anti-centrifugal force. To a greater extent this applies to the financial replenishment of the delegation of certain functions. It turns out that the functionality of expenditures of regional authorities is growing and the economic potential which provides its coverage is not. From time to time, the expert community discusses the problems of territories' economic alignment, which still loses to the budget alignment.

The very title of the monograph sets the reader to find an answer to the question of how to strengthen the role of regions in the system of public administration. The authors devote a separate chapter to the study of the regional potential: financial, investment, social, land and property, and infrastructure. The structure of the section called "Improving the efficiency of using the resource potential of regional development" is clear and consistent. The reader is first offered to understand the current state of each type of potential and emerging problems, and then presented the author's idea about the hidden opportunities. This approach enhances the reader's attention to the text of the monograph, contributing to the implementation of the idea of the authors to transfer the research results to specialists

studying various aspects of the state economy modernization. Within the framework of this book, the potential is seen as a system of internal, hidden opportunities, which determines the complexity of its formalization and evaluation. In this regard, we will give the following example which affects the financial potential of the region. The authors focus only on components which are traditionally measured exclusively in monetary terms. These include the amount of budget resources, deposits of legal entities and individuals in the banking system, and assets of the banking sector.

It is essential to study the types of potential in different regions of the country. Thus, measures to reduce tensions in the labor market are considered on the example of the Moscow Oblast, the effectiveness of the youth policy – on the North Caucasian Federal district. It should be noted that almost every chapter devoted to a particular type of resource potential marks high regional polarization. The authors of the chapter on the social potential agree that regional differentiation in terms of social development has not changed since 2012. It is stated that just over 20% of the Russian population live in socially prosperous regions (including 8% in Moscow), about 10% – in regions with very low social potential, and more than 2/3 – in lagging regions and regions with an average level of social development.

As a gesture of solidarity with the authors' conclusions, we would like to share some of our calculations concerning regional differentiation in order to enhance their importance. Thus, the difference between the regions with minimum and maximum values of GRP per capita in 2000 was 26.5 times, in 2016 – 27.8 times. Due to uneven distribution of

economic activity more than half of territories' tax and non-tax revenues were mobilized in 11 richest Russian regions while the 2/3 of the country's population live in regions with much more modest budget opportunities. Therefore, if we compare minimum and maximum values of per capita own revenues of consolidated budgets of constituent entities of the Russian Federation, in 2000 the values comprise 64.8 times, in 2016 – 47.1 times<sup>1</sup>. At the same time, despite massive fiscal injections, no noticeable decrease in the degree of regional economic differentiation is observed. It is no coincidence that the monograph studying the priorities of modernization pays special attention to the economic differentiation of regions. In this regard, one of the priorities of modernization is to ensure the optimization of interregional differentiation by finding the optimal proportions and tools for leveling the socio-economic development of regions. On the one hand, the large-scale redistribution policy creates a strong dependency. On the other hand, the advanced development of the most prosperous regions contributes to the efficiency of the entire economy, but increases territorial imbalances, and significant alignment through resource redistribution from strong to weak regions slows down the growth in general and reduces economic efficiency.

The authors also consider the development of methodological foundations of strategic regional planning as particularly important

priorities. Although the law on strategic planning was adopted in 2014<sup>2</sup>, many issues remain unresolved. Highlighting this modernization priority as a particularly important one in today's environment of great challenges and threats, the authors devote their closing argument to it. At the same time, they note five key prerequisites for determining the priorities of the regional development policy, the formation of which requires serious scientific study:

1. Development of the country's spatial development strategy.
2. Entering a qualitatively new level of preparation of strategic planning documents instead of presentation materials and manifests.
3. Overcoming uncertainty about the economic framework of strategic planning of regional development.
4. Coordination and target regulation of the spatial breakdown of the existing state programs.
5. Systematization of development institutions.

The transition of the Russian economy to an innovation-based path is impossible without the development of regional economies. Studies of many researchers demonstrate that the success of the innovation economy depends not only on the amount of financial resources but also requires the interest of business, availability of skilled labor resources and the increased role of science both in the national economy and in public administration.

<sup>1</sup> The presented figures are calculated according to data from financial reports of the Federal Treasury of the Russian Federation and the Federal State Statistics Service.

<sup>2</sup> On strategic planning in the Russian Federation: Federal Law no. 172-FZ, dated 28.06.2014.

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