



GESTÃO PÚBLICA
E GOVERNANÇA

OPTIMIZATION OF ADMINISTRATIVE DECENTRALIZATION AS A KEY MECHANISM FOR IMPLEMENTATION OF REGIONAL POLITICS

OTIMIZAÇÃO DA DESCENTRALIZAÇÃO ADMINISTRATIVA COMO UM MECANISMO
FUNDAMENTAL PARA A IMPLEMENTAÇÃO DE POLÍTICAS REGIONAIS

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RESUMO

O artigo é uma tentativa de comprovação científica da aplicação de abordagens metodológicas da psicologia social (teoria da motivação humana) para justificar o estabelecimento de metas para o planejamento econômico estratégico a nível regional. A necessidade de uma abordagem diferenciada para a gestão regional nos Estados com desproporção significativa nos níveis de desenvolvimento econômico e social das regiões é fundamentada neste artigo. Os resultados da pesquisa em relação ao desenvolvimento desproporcional de diferentes regiões da Federação Russa servem como exemplo da aplicação da abordagem proposta.

PALAVRAS-CHAVE

Otimização. Descentralização administrativa. Políticas regionais.

ABSTRACT

Present paper is an attempt of scientific substantiation for application of methodological approaches of social psychology (theory of human motivation) to justification of goal-setting for strategic economical planning at a regional level. Necessity of differentiated approach to regional management in states with significant disproportion in levels of economic and social development of regions is substantiated in the paper. Results of author's research of the problem of disproportional development of different regions of the Russian Federation serves as example of the personal approach application of the author.

KEYWORDS

Optimization. Administrative decentralization. Regional politics.

INTRODUCTION

The world economical crisis, which emerged in the end of 2008, intensified the problems of differentiation of social-economic development of regions of many de facto federal states. These processes affected both «old» economically developed states such as Spain and Germany, and «young tigers»: Russia, Brazil and India. Analysis of measures taken in the conditions of crisis in order to smoothen situations in different parts of listed countries allows to make a conclusion that states with less centralized state administration manage to overcome the pernicious consequences of development differentiation strengthening more effectively.

However, this withdrawal itself doesn't permit to get decisive recommendations concerning «reasonable» degree of management decentralization or mechanisms of such decentralization. The

example of Brazil, the state with moderately decentralized management, is demonstrative in this context. Subduing the difference between levels of social-economic development of northern and southern states has been remaining one of the major problems for all governments and presidents for half a century. Regional venture funds, supporting investments into Northern and North-Eastern macro regions, were substituted with regional funds for financial support and supplemented with numerous programs, providing welfare to the population at the end of 80s and beginning of 90s. In the middle of 00s comes in forth the idea of venture funds revival jointly with such measures as limitation of states' possibilities to provide tax exemptions for the investors appeared in international "agenda". However none of these mechanisms produced the desired result: level of the economical development of the North-Eastern regions

is approximately 2.5 times lower than that of the South-West units. Share of illiterate population is almost 3 times higher in the North-East than in the South-East. Ecological problems in the North and South are incommensurable, as well.

One could observe even bigger degree of regional differentiation in Russia, the state with smaller degree of administrative decentralization. Means, used in order to search funds for the public educations, health care and other social problems can vary in 5 or 6 times in dependence on the region, and difference of volumes of GDP *per capita* is measures in dozens of times. This is the particular reason which explains why optimizations processes of administrative decentralization as a key mechanism for implementation of regional policy within a federal state became the focal theme of present research.

From the gnosiological point of view the subject of regional economy as a science is rather many-sided and non-uniform. Frequently it leads different researchers to taking this or that problem or aspect of social and economic development of some territory out of context and trying to study separate problems without due attention to influences of all subjective and objective interactions between various elements of regional economy, not as spheres of scientific research but as a real function it plays on any given territory (region) and its economy.

Any individual who cares about his or her life quality and sees it as the main purpose of development of regional economy (both in the gnosiological, and practical sense), could care less whether poor quality of his or her life is a consequence of poor systemic interaction between regions within the

framework of national economy (or, as it is sometimes said, federal regional policy), or mistakes in choosing and implementing various mechanisms and methods of management and regulation of economic activities in that concrete region where this person lives, including cases when these mistakes have been caused by insufficient research.

Thus, the central problem becomes harmonizing the purposes of management of social and economic development of regions at various taxonomic levels: federal (in case of Russia), constituent regions, municipalities (in case of multilevel local self-government, as, for example, in Russia or in France, at each level of municipal administration).

PURPOSES OF REGIONAL DEVELOPMENT AS REFLECTION OF NEEDS OF ITS RESIDENTS

This knotty problem becomes even more complicated when separate regions at the same taxonomical level differ considerably in social and economic development, wherefore differences in quantitative parameters lead to different basic qualitative characteristics of the society, which impairs the practice of applying universal federal regional policy within the frameworks or the uniform interaction scheme between the constituent region and municipalities within its structure. This is due to the fact that the standard of living and the terms of program implementation depend on what needs of residents had been already met and what else must be done, and what resources are available for this purpose. In other words, the purposes of regional development reflect the main goals within the community of residents.

Numerous studies in social psychology found that different people have significantly different priorities depending on numerous circumstances. Therefore, in order correctly to formulate the purposes of social and economic regional development it is necessary to identify precisely the immediate and long-term needs of the population, which is only possible to do by using the theory of motivation methodology and application of statistical and sociological methods of research. The same approaches are necessary for implementing and harmonizing the purposes of social and economic development (strategic planning of development) of the regions at different taxonomical levels, since any person lives in a given community, a given region, and a given state.

There are at least two reasons which allow to assume an opportunity and advantage of applying certain methodological approaches of social psychology (such as the theory of motivation) for substantiation of prioritizing various goals of strategic planning at the regional level.

Firstly, as has been shown in many studies on strategic planning and development of regions and repeatedly confirmed in practice, most effective processes of strategic planning and implementation of these plans in real

life happen when the community, from public organizations to citizens interested in discussion are actively involved in every stage of planning. Moreover, much evidence suggests that special events with the only purpose of involving citizens in the process of strategic planning are most beneficial. It is only natural that extensive participation of the population in discussing strategic plans and all the issues involved, especially approaches to strategic planning, including its very first stage – defining its main purposes, should take into account methodological approaches of the theory of motivation, or even be based on such methodologies.^{1*}

Secondly, the process of implementing strategic planning certainly should be based on understanding of the synergetic effect of common effort of the entire civil society - the public, enterprises, public organizations, and federal and local government, which is impossible without enhancing the motivation of each participant. Therefore, your actions can't be restricted to just the Firstly, superficial step: synchronous and diachronic coordination of individual goals of each member of the civil society and the strategic goals of regional development as a whole. This condition (identical understanding between all the participants of the goal-setting process, corresponding tasks and actions in the

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^{1*} According to legislation of many countries, the Russian Federation included, programs of social and economical development of various regions must be adopted by legislatures, whose members represent the public and must therefore base their decisions, including strategic development programs, on the needs of the population who elected them, and who must, on the other hand, be motivated themselves. In absence of any external factors, such as party or faction ideology, the public discussion and the voting on the strategic plan of development depend on whether the strategic plan is adequate to the needs of the population. Such needs can only be defined if the theory of motivation methodology is applied.

process of implementing the program, comprised of individual contributions), is necessary but not sufficient. It suffices only when it is complemented by obvious and latent mechanisms behind motivation of each participant, which again is only possible when needs of all groups of participants are identified with the help of personal motivation methodology.

In my recent research I defined at least three reasons to use Abraham Maslow's theory as a methodological foundation for strategic planning.

Above all, Maslow's theory is based on the analysis of the social essence of the person. It is obvious that the level of socialization in any community directly depends on the degree of its informatization: the more actively a person interacts with the society the more actively he or she is involved in public life and depends on societal processes. That is, from the gnosiological point of view, the information component of the person places him or her into a class of ergatic cybernetic systems, which system includes the society as a whole and its separate (for example, regional) subsystems.^{2**} This conclusion is not just a scientific proof of applying Maslow's theory to ergatic cybernetic systems (human beings) or management of another ergatic cybernetic system (the society), but also serves as substantiation for application (with certain adaptations), of all basic

conclusions of Maslow's theory to systemic goal-setting in regional development and implementation of these strategic plans. Moreover, if we compared the known fact of that the most active community members participate in development adoption and implementation of strategic plans and are most motivated to improve them, are placed at a higher hierarchical level of Maslow's pyramid,^{3***} then we can draw a conclusion that the activist character of Maslow's theory allows us to conclude that it can be applied as a base for strategic planning and development of territorial social and economic systems.

Then, Maslow's theory, more than other theories of motivation, takes into account the social essence of the person and the physiology of human nature. To define goal-setting within the framework of strategic planning we can't use only behavioral theories, as the system of each person's values and the physiological needs include even the elementary "social" priorities, which differ a human being from an animal. Using pure psychoanalysis theories or transpersonal psychology methodologies would also be unfitting due to the fact that each person, no matter how detached from or how close to the rest of society he or she may be, must satisfy his or her elementary physiological needs. The hierarchy of values by Maslow is holistic. It takes into account all the human needs and in this

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^{2**} For more information, see Dvas, G. V. *Upravlenie regionalnoi ekonomikoi na osnove teorii nadezhnosti* ("Managing Regional Economy Through Theory of Reliability"), Sankt-Peterburg: Nauka, 2005.

^{3***} Maslow's hierarchical pyramid includes physiological needs at the most basic level, followed by safety needs, belonging needs, identity needs, and, finally, self-actualization needs.

sense it is invariant to the current state of affairs in the society. Depending on the level of societal development the ratio of the number of people identified with that or other hierarchical level of Maslow's pyramid can vary, but in any society groups of people at every level must be present. Therefore, from the point of view of use for strategic planning of regional development Maslow's theory is universal.

And, at last, thirdly, Maslow's theory is technological. All over the world companies of various sizes representing practically all branches of industry and service sectors, extensively (and, what is most important, successfully!) apply Maslow's theory to establishing corporate HR systems, which includes strategic development plans, and major aspects of company functioning, such as development of staff potential, corporate spirit and participation of all employees in company success, or harmonizing goals and interests of each staff member with the goals and issues of the entire company. Much experience has been accumulated since the 1980s when the first global companies (Hewlett-Packard, Apple Computer, Kodak, Levi Strauss, French & Bell, Hackman & Oldman, Carlson and others) started introducing control systems based on Maslow's theory, which allowed to expand the sphere of applying this theory, and helped create and test the methodology. One of the most famous such techniques is VALS (Values and Lifestyles), which is being successfully used to assess consumer demand for new products and services offered by companies or authorities on the market. It is obvious that similar methodological approaches and tools can be used in strategic planning of territorial development.

Therefore, from the point of view of strategic planning of regional development Maslow's theory is constructive, universal and technological. A logical conclusion follows that Maslow's theory is optimal for use as a methodology of strategic planning development of any region at any taxonomical level. What is still lacking is a special methodology and tools for using Maslow's theory, designed for assessment of individuals, to apply to entire communities.

METHODOLOGY OF DEFINING STRATEGIC DIRECTIONS OF REGIONAL DEVELOPMENT WITH USE OF THE THEORY OF MOTIVATION

As had been previously established by Abraham Maslow, any person is holistic by his or her nature, i.e. he or she to some extent has all the needs at each level of Maslow's hierarchy, and identification of the concrete stage of the pyramid any one person is on, reflects a major, but not the only need of that person. In other words, to use a mathematical term, it can be said that the motivational function of any person is a conjunction or association of nonempty subsets of needs at each hierarchical level. With application of methods of mathematical logic and t functional analysis it can be simply proven that any superposition of any limited number of functions thus described, is an association of nonempty subsets of needs at each hierarchical level. Therefore, the society which represents at first glance a community of separate holistic individuals is also holistic, complete and continuous throughout the range of needs. Or, said otherwise, the set of values for any society must include satisfaction of needs at each hierarchical level as obligatory elements. And in this sense it can be said that the needs of the society, which

integrate the needs of separate people, can be ranged in the same way needs are ranged in Maslow's pyramid.

Obviously we cannot state that the needs hierarchy in the society is a mere sum of needs of all individuals comprising it. Such a simplified approach can be applied only to sociological estimations as a preliminary attempt to identify the distribution of population according to each person's dominating needs. However, in order to establish the control system, these data must be transformed into a set of parameters describing social and economic development of a community, not separate individuals. Moreover, given the holistic nature of the society, these parameters should provide a comprehensive description of social and economic regional systems as management objects, providing for continuity and integrity of control over the ways the system reacts to external influences. Accordingly, goals of strategic planning in regional development in this case will be achievement of certain parameters in each of the characteristics describing the system.

We would like to note that if needs of any individual are usually self-reported, and therefore especially subjective, defining the needs of the society is usually carried out by scientific methods, which are more objective. At the same time, due to the aforementioned interaction patterns among various participants of the civil society during the stage of strategic planning and further implementation of such plans for regional development, special attention must be paid to harmonizing all operational objective parameters of social and economic regional development and

subjective (and often subconscious) perception of individual needs. And, which is especially important, the problem lies not only in qualitative, semantic concurrence or affinity of definitions of needs of the society as a whole and separate individuals, but quantitative factors as well, including the correlations between levels of these needs. That is, the degree of domination of certain needs of regional development should correlate significantly with percentages of residents in the region with harmonized dominating needs.

Therefore, defining regional needs is different from non-simplified transformation of needs of its residents. We will try to define the principles, according to which such a transformation can be made to design a system of strategic planning development in the region.

Obviously, if we view the strategic planning as an element of a more general control system of social and economic regional development, feedback becomes a crucially important element, allowing to obtain information in quasi-real time mode both as pertains to exactness of implementing the strategic plan, and conformity of actual implementation results to previously planned or expected parameters, describing a social and economic situation in region during this or that moment in time. Therefore, the following three conclusions:

a) Needs of the region must be described with the help of measurable characteristics;

b) Another necessary condition is observability, that is, making sure that adequate, full, verifiable, timely and

accessible information is collected on the current parameters in each of such characteristics;

c) All the information on current parameters for all the characteristics used for assessment of social and economic development of any given region, should be adequate for and relevant to development of effective managerial decisions.

Point (c) needs additional explanations. The fact is that regional authorities possess a significant, but yet limited arsenal of ways and means to influence social and economic regional development, and therefore permanent monitoring must be provided for those parameters, which are effectively influenced by the decisions by the local government or federal authorities, but only in the event that such decisions concern only a given region or a group of regions. Clearly, practically any decision adopted at the regional level directly or indirectly, to a greater or lesser extent influences almost each of the parameters and reflects the degree of satisfaction of needs in the society; but in the process of planning strategic development of the region the emphasis must be made on the ways and means of effective enough managerial intervention into at least one of the parameters. More delicate tools of influence should also be taken into account during the process of strategic planning, but at the goal-setting stage and choice of strategic priorities by defining the most urgent needs of the

regional community, these tools can be neglected.

Therefore, we can conclude that meeting the urgent needs of the population is the main incentive in both the strategic planning of social development and involving all the members of civil society in implementing strategic plans. This conclusion, in combination with the main methodological approaches of the theory of management takes us to formulating four problem areas that need to be addressed consecutively:

1. Creating a hierarchy of needs of the society, semantically harmonized with the classical Maslow's hierarchy of needs;

2. Identifying a community of people living in a separate territory (or, to be more exact, within the borders of a separate territorial social and economic system, a region) and determining their position on the hierarchical pyramid;

3. Setting goals of strategic regional development planning based on the most urgent needs of the community under study;

4. Defining state policy mechanisms, which are most effective for reaching the goals of state policy.^{4*}

The first two problems are certainly more complex than the third and the fourth issues, since the latter have been thoroughly researched. Solving the two first problems will contribute to creating an effective vehicle for applying the methodology, and the appropriate mechanisms and tools at subsequent stages.

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^{4*} Let us a priori consider that effectiveness of this or other mechanism of state policy corresponds to its application goals.

HIERARCHY OF REGIONAL DEVELOPMENT GOALS

As it has already been shown, transformation of individual needs into the needs of their community for the purposes of strategic planning of regional development cannot be reduced to simple addition or association. Since the entire scope of problems cannot be considered within one research study, we will only discuss the main approaches to formulating the methodology of transformation with reference to each level of Maslow's hierarchy.

Physiological needs are at the bottom of Maslow's pyramid. Over the forty years that Maslow's theory has been the flagship theory in social psychology humankind has changed drastically, and approaches to assessing the development of the society have significantly changed as well. Today the term "satisfaction of physiological needs" may probably be replaced with a narrower maxim of "overcoming poverty."

On December 19, 1984 the UN Economic and Social Council defined poverty as conditions of extended absence of the resources necessary for comfortable life in the country of residence. In 1992 the General Assembly of the United Nations declared October 17th International Day for the Eradication of Poverty. In its special message, the General Assembly noted that poverty was inherent in any society, with only differences being the definition criteria and the scope. As a rule the main criterion in the definition of poverty is the amount of money someone makes for a living, however, various countries hold different approaches to defining the poverty level.

In Russia the poverty level is described in terms of the "consumer basket" expenses plus rent and utility payments and fees, as defined in Federal Law "On Living Wages in the Russian Federation," adopted in October 1997. The consumer basket is defined as a minimal set of foodstuffs, products and services necessary for human well-being and health. In the US since the 1960s the living wage is calculated by multiplying the price of the consumer basket by three. From the scientific point of view both approaches have their weak side because today the concept of poverty includes not only a shortage of food and water needed for physical survival, but also inability to find a decent job, adequate clean dwelling and a minimal set of social services, which guarantee wellbeing.

Therefore, in the regions where the majority of residents must have their physical needs satisfied, regional development programs should focus on overcoming poverty. The factors that contribute to depressed regions' state of affairs, in view of the aforementioned indicators of measurability, observability, adequacy and relevance, are as follows:

- low income;
- high unemployment rate, not allowing the large percentage of unemployed residents to make a living, and adversely affecting life quality of employed residents;
- high percentage of people with inadequate housing;
- low level of resources required to provide a minimal set of social services;
- lack of financial resources required to provide a minimal set of social services to the public.

Needs of safety and security are located at the second level. As in the previous case, it must be noted that in post-Maslow period the concept of security has changed considerably. In 1987 Prime Minister of Norway Gro Harlem Brundtland presented a report entitled "Our Common Future" to the UN Environmental Commission, inaugurating the term of sustainable development, which she defined as development of the society in such a way that satisfying the needs of the current generation does not endanger the needs of future generations. Based on this definition, we may conclude that in regions where most population is not just trying to survive, but want to have a secure future, sustainable development must be the focus of regional programs. Understanding the concept of sustainable development will be a key factor in creating confidence and feeling of security among the members of the community.

Although the concept of sustainable development has been around for a while (the notion is based on the theory of the noosphere, created by V. I. Vernadsky in the 1920-1930s, and developed further in the 1970s-1980s in reports of the Roman club), only in 1992 the UN Conference in Rio de Janeiro adopted "Agenda-21," a major document on sustainable development, a comprehensive plan of global action in all spheres. Adoption of Agenda-21 led to definition of terms and methods for the theory of sustainable development. While there is still no unity in position of various nations on sustainable development, the main principle – joint consideration of questions of dynamic economic, social and environmental development of the society – has been recognized by authors and experts, as has been the central

problem of sustainable development – limited opportunities to meet current and future needs due to societal structure and existing technical conditions.

Given this definition and taking into account the aforementioned characteristics of social and economic regional development (measurability, observability, adequacy and relevance) organizing strategic planning development of regions with the dominating need for sustainable development, the following problems of regional development can be defined:

- Lack of physical capital for sustainable development, including:
 - industrial infrastructure;
 - financial resources needed for the purpose;
 - workforce qualities;
- Unfavorable environmental conditions in the region;
- Negative dynamics of main demographic parameters.

The third level of Maslow's hierarchy describes belonging, inclusion and affection needs. Abraham Maslow himself in his famous *Motivation and Personality* recognized that one of the most evident displays of this need is how large and small groups of people come together when facing an enemy who "becomes the reason of forming a group of friends" only because this enemy represents an outside threat. We would like to extend the belonging need by modifying it as follows: it is the need to come together whenever facing a problem, when a group of friends is formed to solve the challenges better solved in groups than alone.

Transforming this individual need into a need of a region, we must single

out not only the needs that dictate coming together in certain local groups (family, colleagues, housing cooperative members, etc.) but the needs that require consolidation of the entire society or significantly large groups. That is, if an individual's physiological needs are satisfied and he or she feels secure in the face of the years to come, his or her dominating need will be the need for affection (in both directions), inclusion (in both directions), and belonging (to a worthy group), in this case the efforts of the state should focus on the policy that will demonstrate care and support of the state, and seek to elicit support of this important state mission from the involved individuals.

Therefore, if most people of the region do not need to survive or take care of their future, they will focus on affection and belonging, and the corresponding mission of the region will consist in two parts: best possible care for residents and assistance to less developed regions.

- Lack of sufficient resources to provide adequate social services;
- Insignificant per capita volume of services in gross regional product;
- Low integration of local economy in national and international economic systems;
- A small percentage of residents receiving state awards.

The fourth level represents the need for respect. Society plays a key role for people whose dominating need is the need of respect. Each of us has felt some degree

of dissatisfaction when traveling abroad in trying times for Russia, when we could feel hidden and outward disregard toward ourselves just because of our citizenship. And, to the contrary, when in other times we travel to other countries we experience this or that degree of satisfaction because we are a priori offered some degree of respect only by virtue of us being citizens of Russia. A similar situation occurs at home when people from different regions meet. Whenever someone is asked the question: "Where are you from?" he or she will feel a certain emotion, which depends on the reputation of his or her home region.

However, no matter how much any region is respected and whether this is reflected in the respect for its residents, the question of what factors can provide respect of surrounding community for the region is not so simple. Maslow himself, when describing the need of respect, divided^{5*} the notion into two components: need of power, competence and confidence (manifested by independence and freedom), or self-respect, and need of prestige and good reputation, or need to be respected by other people. [6]. This division may be applied to regions as well. In the regions where most residents believe their primary need to be the need of respect, regional development must focus on conditions for improvement of self-esteem in local residents and maintaining a good reputation in the opinion of the rest of the world, which helps create prestige of the region.

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^{5*} With reference to works written by Alfred Adler, Ian Rand and others.

As it has already been said, social psychologists see a close relationship between self-esteem of a person and his or her perception of their independence and freedom. It is logical to assume that residents view self-respect of their region as being dependent on the degree of the region's autonomy. In this sense the strategic goal of regional development becomes achieving a high level of social and economic security.

It must be said that prestige of a region and its good reputation in many respects depend on the same characteristics as does social and economic security of the region, with the indicators being a share of innovative products, spending on research and development, crime rate, etc. The main difference is that the theory of economic safety operates critical, threshold parameters of such characteristics that signal threat to social and economic safety. Staying under the threshold values is a necessary condition for maintaining social and economic safety. However, achieving social and economic safety alone is not a sufficient condition for forming a favorable image of the region. For example, the theory of economic security^{6*} states that only when the region spends more than 2 percent of GRP on science, the region is considered economically safe. An analysis of world press shows that high scientific and innovative potential is usually achieved by regions which spend at least 5% of GRP on science.

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^{6*} It must be noted here that there is no uniform theory of economic security, just a conceptual theory describing critically important parameters of regional (state) development, which, when not achieved, may hinder economic independence of the region. Various authors give different lists of monitoring parameters and different values for critical indicators. For instance, various authors assess the critical indicator of imported foodstuffs on sale in the region within a broad range of 20 to 45%.

At the same time there are other parameters which are usually not taken into account in assessing economic safety of the region, and yet have significant influence on the reputation of the region and its image. Such parameters include per capita volume of foreign investments, the share of enterprises with foreign participation, a number of sister cities, etc.

The fifth level in Maslow's hierarchy is need of self-actualization, which cannot be directly transformed into a need in the sphere of regional development because even when the majority of residents of the region list self-actualization as their most important need, this concept will be different for everyone, and therefore the region must pay attention to removing or minimizing the factors that may make a person choose to give up self-actualization in favor of satisfying other needs. In other words, when safety, security, belonging, affection and inclusion needs are satisfied and there are no major obstacles to self-actualization, the region must focus on the rate of social and economic development, which will provide existing and additional opportunities for self-development of the residents.

It is quite clear, that no local leader will ever say that he or she has a surplus of financial and other resources and cannot spend them in the interests of the local community: there is always a medical center needing equipment upgrade, or a stadium to build to enhance the

opportunities of the local population. However the main characteristic of *dream regions* belonging to the fifth group is availability of resources to meet the needs of the region, which are characteristic for regions in all preceding hierarchical groups.

OPTIMIZING MECHANISMS AND METHODS OF GOVERNMENT BASED ON REGIONS' SOCIAL AND ECONOMIC DEVELOPMENT GOALS

As it has been demonstrated above, strategic planning can vary in different regions as it will depend on dominant needs of the majority of population. The mechanisms for achieving different goals can vary essentially, although the tools used by the government may be the same for all regions within the state. One of the major problems before federal government bodies is providing comprehensive assistance to all the regions to help them implement their strategic development plans.

For instance, in *depressive* regions where the dominating need of regional development is overcoming poverty, the main task lies in improving the major parameters which put the regions in the first group. These factors include: (a) high unemployment rate with a significant number of residents below poverty line and a significant number of residents experiencing eradicating

security even when employed; (b) low level of income of the population; (c) low security of residential housing; (d) low level of security of the minimal set of social services, and (e) insufficient financial resources to provide a minimal set of social services.

There are two main mechanisms to improve this situation. One is attracting extensive private investments^{7*} and the other is deep integration into social^{8**} target programs offered by the federal government. Extensive investment projects allow to decrease unemployment rate and increase means income of the population thus creating preconditions for improved living conditions and for availability of paid services to the population. Active participation of the region in social federal target programs provides conditions for better availability of resources for providing a minimal set of social services to the populating, attracting financial resources for these social services, and increasing availability of mortgage programs for residents, social housing and housing certificate programs, and other programs aimed at improving living conditions.

Whenever we need to attract private investments competitive market mechanisms investment resources must come into play. Paradoxically, if regions of the first group possess sufficient market advantages (in comparison

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^{7*} I.e. investments that create new jobs and increase the demand for workforce in conditions of excessive offer; to be distinguished from “intensive” investments where there is a lack of workforce, or market homeostasis is present, when new jobs can be filled only when other, less effective jobs are being vacated at other enterprises.

^{8**} I.e. federal target programs, which include construction (reconstruction) of buildings for provision of social services and other events, intended to improve availability and quality of social services.

with other regions)^{9***} they would not feel the shortage of investments and, as a consequence, will not encounter considerable developmental problems which could lead them into the group of depressive regions. Therefore, the state should create non-market competitive advantages, enhancing the early market trends or replacing the latter when such trends are overall not available.

Most effective non-market measures include access to natural resources (including increase of their economic availability) and the level of authority of regional government bodies in providing tax privileges to potential investors. Whenever these measures are applied to other non-depressive regions, it may not only be unnecessary (due to other priorities in goals and objectives) but even result in a negative effect for such regions since the regions will not be motivated to develop their own competitive advantages, and for the country as a whole due to decreased effectiveness of natural resource and financial potential of the state.

The latter conclusion applies also to deep integration of depressive regions in social Federal Target Programs. The depressive regions participate in such Federal Target Programs by getting preferential terms for transfers from the federal budget. Should such measures

be applied to other regions it would lead to decreased efficiency of federal budget monies rather than satisfying the needs of non-depressed regions.

In *regions of hope* where most population do not need to survive and are confident about their future (second group), the main strategic goal, as has been mentioned above, is creation of conditions for sustainable development. The most effective way to achieve this is to apply two directions of state policy: attracting "intensive" private investments for development of economic potential of the region and maintaining its deep integration in "infrastructural" Federal Target Programs.^{10****}

Intensive private investments do not presuppose increased use of local resources, first of all, natural resources and workforce. As a result of such projects, efficiency of these resources – processing natural raw materials, labor productivity, etc. – must improve. Accordingly, such measures as increase of economic availability of natural resources or granting of tax privileges in exchange for creation of additional jobs will not be as effective as in the case of attracting "extensive" investments as for the regions in the first group.

Tax privileges may and should be provided; but not to all investors but only to those whose projects correspond to two

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^{9***} When discussing market competitive advantages of the region we must take into account the fact that one and the same region may have many various (and at times independent) potential competitors depending on the sector. Sometimes such competing regions may not be neighbors at all but rather be located in other countries or even on other continents.

^{10****} I.e. Federal Target Programs which presuppose construction of engineering and transport infrastructure required for industrial and other manufacturing and residential facilities, as well as cultural and social buildings.

conditions – better degree of processing of natural resources in comparison with other enterprises, and considerable surplus product per employee. Here we don't mean one region having a competitive advantage over others, but indemnification of investor risks, characteristic for projects with use of innovative technologies, and construction of modern hi-tech enterprises. In other words, in regions of hopes privileges should vary not according to the number of jobs, but according to growth in work efficiency. Therefore, the aforementioned tax privileges in such regions must be provided in a smaller number of fields than in depressive regions.

Supplementing the mechanism of selective discounts is the measure of attracting "intensive" investments "regions of hope" (and to regions of the third and fourth groups), as well as territories with special management mechanisms, the so-called regional free economic zones.^{11*} It is in such zones that the regions of the second group should be provided tax privileges according to the aforementioned approach.

Infrastructural Federal Target Programs^{12**} must be based on rigid division of infrastructural objects into the objects of federal value within the federal network, and objects of regional value. Objects of federal value must participate in Federal Target Programs on the basis

of pre-approved long-term programs of development for corresponding infrastructural branches. These objects must be accounted separately from the regions with federal subsidies. Infrastructural objects of regional value must be also included, but as is the case with social Federal Target Programs, on conditions of co-financing on the part of the region, directly proportional to budgetary capabilities of this or that region, with the priority given to regions of the second group.

For the regions of the third group, which have already attained *sustainable development*, the top priority need is the humanistic mission which consists of two sub-missions: provision of best possible care for residents and rendering assistance to less advanced regions. The strategic goals of the region with sustainable development include providing social services to the population, in accordance not with minimal social standards but cutting-edge modern requirements, and increased integration of regional economy into the national and global economic systems.

Basic directions of the state policy in accordance with these strategic goals include encouraging the development of the service sector (in the broad sense of the word), providing assistance in integrating into international economic and humanitarian projects, including

NOTES

^{11*} The Chinese economy, which has been rapidly developed over the last decade, is an excellent example of concurrent functioning of special (free) economic zones of federal, regional and local level with various conditions of co-optation of residents and their economic activities.

^{12**} It includes investment programs for natural statewide monopolies (either directly or through controlling interest packages in boards of directors).

support of “humanitarian” and “extensive” investments into other regions. The main mechanisms of implementing the state policy includes expanding the powers of regional bodies of the government (budgetary powers included) in the sphere of state investments, granting tax breaks to enterprises and organizations providing services to the population (including paid services), and encouraging international^{13***} projects.

The strategic goal of regions of the fourth group – *leading regions* – is to assure the highest possible level of social and economic safety coupled with a good reputation of the region among other neighboring areas.

We have used a major part of economic parameters most frequently used for assessment of the level of social and economic in the society (without the special clauses) for the analysis of dominating needs of regions of the first, second and third groups: the level of development of productive forces, the level of per capita income of the population, the rate of unemployment and several others. In classification of regions, the regions approaching the standards of the fourth group must demonstrate parameters of social and economic development in excess of the levels in lower groups of needs within the hierarchy. Such regions must experience other, previously not discussed criteria of social and economic security.

From the indicators most frequently used for assessment of the level of social

and economic security, the following previously not classed parameters of societal development include the level of innovative development of the economy, based on modern scientific development, and the degree of investment activity in the region. Investment activity, which includes investment activities proper and other economic activity of joint-venture companies, contributes to the reputation of the region in the opinion of other regions.

Therefore, the main directions of state policy in leader regions should focus on stimulating innovations and investments. The main difference of this stimulation policy is that it cannot include the same measures of support which should be applied to stimulation of investment activity in regions of the first through third groups. Otherwise the effectiveness of these measures for groups lower in the hierarchy of needs will be zero, since leader regions have other, market-type competitive advantages. Therefore, leader regions may be granted privileges only in what concerns hi-tech branches. Leader regions should have the authority to provide tax breaks to enterprises involved in “intensive” and “specialized” (innovative) investments into other regions (for example, exporting software or know-how). Such regions should also enjoy greater powers (including budgetary powers) in the sphere of implementing state investment programs, including investments abroad.

The latter two mechanisms in combination with broadest possible

NOTE

^{13***} Not only regarding the foreign economics but humanitarian issues as well.

powers in the sphere of international activities (such as participation in the so-called Euro-regions) can help improve the image and reputation of the region, the prestige of enterprises on its territory and the population of the region.

Finally, the strategy of *dream regions* should focus on maintaining economic growth and transformation of this growth in creating more effective conditions for self-actualization of all the residents in the region. The development of leader regions should not result in decreased opportunities for achievement of strategic goals of development for regions at lower levels in the needs hierarchy. That is, the state policy in such regions should not allow growth of their competitiveness in relation to other regions inside the country, but support growth of competitiveness in relation to regions from other countries; granting privileges to enterprises should be almost completely disallowed except for support of high technology branches traditional for these regions), but at the same time as much independence as possible must be granted to these regions in their budgetary policy and so on.

As we saw in the qualitative analysis of practical differentiation of social and economic development in the regions, different levels of their development lead to differences in dominating needs of the majority of the population in the regions in different conditions, which causes considerable distinctions in developmental needs of the regions which can be classed according to the classification of needs of

separate individuals. Different needs, in turn, generate considerable distinctions in directions and mechanisms of government, most effective for the concrete regions belonging to different groups within this classification.^{14*} This supports our previous hypothesis that Maslow's theory can be used as a methodology of strategic planning and development of any region at any level of the taxonomy. Now let's proceed to substantiating the claim that this approach can be used given the information on social and economic positions of regions in Russia and draw corresponding conclusions.

CLASSIFICATION OF REGIONS ACCORDING TO PURPOSES OF SOCIAL AND ECONOMIC DEVELOPMENT

As is has been mentioned above, if we view the system of strategic planning as an element of a more general system of managing the needs of social and economic development of the region, strategic development parameters must be described with the help of essentially measurable characteristics; the information provided about these parameters should adequate, full, legitimate, up-to-date and accessible, allowing to develop highly effective managerial solutions.

As a rule these conditions are best met by official statistical information, gathered and processed by state bodies. In addition to the data provided by statistics bureaus, departmental statistics and results of sociological research can also be used

NOTE

^{14*} In the same way, assigning this or that purpose to this or other level of Maslow's hierarchy allows to determine the stimulation mechanisms which best fit this particular person.

to assess social and economic position of the region and its needs. However, in each concrete case before a decision is made concerning use of such data, the data must be assessed, methodologically and in terms of its applicability to managerial decision-making, which is often quite difficult because of the restricted access nature of this information.

We are not saying here that we provide an exhaustive list of needs of the regions

and their development parameters, but a certain set of needs must be defined. The list we offer is often used by statistics bureaus, and these parameters are based on the aforementioned classification of the main problem areas of regional development facing regions in each of five hierarchically arranged groups.

Major Problem Areas	Grouping Criteria*
<i>Depressed Regions</i>	
<ul style="list-style-type: none"> - low income; - high unemployment; - poor housing conditions; - poor resources for minimal social services; - lack of financing for minimal social services; 	<ol style="list-style-type: none"> 1. Per capita income two and more times lower than the national average; 2. Social sphere spending is two and more times lower than the national average; 3. Unemployment rate is two or more times higher than the national average; 4. GRP per capita is less than 40% of the national average; 5. Housing availability is less than 90% of the national average.
<i>Regions of Hope</i>	
<ul style="list-style-type: none"> - Insufficient physical capital for sustainable development, including: <ul style="list-style-type: none"> • manufacturing infrastructure; • financial resources for its creation; • workforce quality; - unsatisfactory environmental conditions; - negative dynamics of major demographic indicators. 	<ol style="list-style-type: none"> 1. Per capita income at least 25% lower than the national average. 2. Social sphere spending at least 25% lower than the national average. 3. Unemployment rate is higher than the national average. 4. GRP per capita is less than 80% of the national average. 5. Environmental pollution rate is higher than the national average. 6. Population growth is lower than the national average. 7. Per capita investments into capital assets is two and more times lower than the national average.

<i>Regions of Sustainable Development</i>	
<ul style="list-style-type: none"> - lack of finances required to provide cutting edge social services; - small per capita share of services in the gross regional products; - low degree of integration of local economy into Russian and world economic systems; - fairly small share of residents awarded state decorations. 	<ol style="list-style-type: none"> 1. Per capita income is lower than the national average. 2. Per capita social sphere spending is lower than the national average. 3. GRP per capita within the 80 -110% range of the national average. 4. The volume of paid services per capita is two or more times lower than the national average.
<i>Leader Regions</i>	
<ul style="list-style-type: none"> - insufficient level of economy innovation; - insufficient investment activity in the region; 	<ol style="list-style-type: none"> 1. Per capita GRP exceeds the national average by no more than 1.5 times. 2. Per capita science spending is lower than the national average. 3. Per capita foreign investments are lower than the national average. 4. The turnover share of joint ventures is lower than the national average
<i>Dream Regions</i>	
No specific problem areas	

Let us once again say that this list of criteria is far from exhaustive. In each country with federal or multilevel system of local government the set of criteria and their parameters can differ substantially, depending on historical, cultural, national, economic and other features. But in any country, nevertheless, the goals of social and economic development of any territory are in accordance with top priority needs of the majority of its residents.

In the end we would like to mention the classification of Russian regions as

of the beginning of 2008, completed in accordance with the present methodology. There was a total of 79 regions ("nested doll" regions, included within the borders of larger regions were not included). Of these, 18 regions were classed as depressive, 54 as regions of hope, 5 regions are classed in the group of sustainable development, Saint Petersburg is the leader region, and Moscow is a dream region. We must make a side note that the perception of some regions as being in this or that group according to this classification

method does not necessarily agree with the opinion held in the Russian society on the well-being of those regions. For instance, Tyumen Region is frequently classed by economists and political scientists as one of the most successful regions. According to this methodology Tyumen Region is classed as either a depressive region or a region of hope, since it has one of the lowest numbers of housing indicators in the nation as well as low per capita spending on social services. Residents of Tyumen region must feel the inconvenience even despite their high earnings. On the other hand, Khabarovsk region is hardly ever classed among the territories of sustainable development. But as it appears, according to this methodology, Khabarovsk region is one of the other six regions, where the main needs of the population have been substantially satisfied.

Regional classification based on Maslow's theory is just one of the numerous classifications that appeared lately. It offers three substantial differences which favor this methodology as it applies to organizing state strategic planning^{15*}:

1. The classification is based on the assumption that the needs of a region correspond to the needs of the most part of its population, and, therefore, the goals and mechanisms of regional development must be harmonized with goals and mechanisms of development of the majority of households.

2. The classification does not simply reflect the central needs of the regions, but substantiates the measures of state policy required to reach the development goals of the regions of each group, that is, determines state policies and mechanisms of their implementation which should be either decentralized or made more flexible toward regions in other groups.

3. The present methodological approach can be applied to determining goals of strategic planning and development of a territorial system at any level of the taxonomy. In particular, extrapolating the present methodological principle according to which the central needs of the region can be revealed by non-simplified transformations of major needs of the majority of residents of the region, an obvious conclusion can be made that the major needs of the state may be defined with the help of a simplified transformation of dominant needs of the regions.


Our ideas and conclusions certainly are far from complete and comprehensive; moreover, some of them are quite debatable, but our purpose here was more simple: to draw the attention of experts in strategic planning of regional development to discussions concerning application of a methodological approach of the theory of motivation to strategic planning at the regional level and setting state policy goals, as these fit well with the ways of managing the regions at different stages of social and economic

NOTE

^{15*} To confirm the validity of comparison between the Maslow hierarchy for people and regions, Appendix 1 lists descriptions of higher and lower levels of human needs as described by Abraham Maslow in his "Motivation and Personality". From semantic point of view, Maslow's conclusions can be applied to the hierarchy of regional needs as well.

development. If I succeeded to some degree in my arguments, I will welcome remarks and comments by my readers. I completely agree with the words of Maslow when he wrote:

"It is my personal opinion that the perfect person is impossible, even

inconceivable, but people can become much better than the majority might think. As to the perfect society, it too seems to me an impracticable dream... Nevertheless it is obvious that any couple, group, or society can be improved and can be both very good, and extremely nasty." 

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FOOTNOTES

* Presence of at least one criterion suffices to include any given region into this or that group.1-18, jan./jun. 2004.