



## The Leveling of Environmental Polarization as a Part of Strategy of Perspective Innovation Policy of Economic Systems

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### ABSTRACT

The relevance of the article is reasoned by the strategies' definition for perspective innovation policy of economic systems. In conditions of the Federal state entities' autonomy strengthening one of the strategies for perspective innovative policy of economic systems is aimed at leveling of the environmental polarization as the basis for transition to innovative socially oriented type of economic development, reducing interregional differentiation in the level and quality of the population's life, creation of equal opportunities for citizens and contributing to human development. The article is aimed at finding out of the specifics for spatial polarization's leveling as a strategic component of perspective innovative policy of economic systems. A leading approach is the institutional approach that considers the environmental polarization as a socio-economic differentiation of regions on creation of worthy living conditions for citizens, complex development and competitiveness of the regional economy. The article clarifies the essence of selective support as a tool for leveling of the environmental polarization; presents the world experience of regions' selective support in order to eliminate environmental socio-economic disparities; reveals the types of selective support (polarized, leveling incentive, leveling deterrent) and gives a comparative analysis of their aims, objects, tools. The paper submissions will be useful for specialists of Federal and regional authorities, local governments, line ministries, scientists who are interested in issues of regional economy and innovation policy of economic systems.

**Keywords:** Environmental Polarization, Innovation Policy, Economic Systems, Interregional Differentiation

**JEL Classifications:** C15, F15, O31

## 1. INTRODUCTION

### 1.1. The Relevance of the Study

In conditions of Federal state entities' autonomy strengthening one of the strategies for perspective innovative policy is aimed at leveling of the environmental polarization as the basis for transition to innovative socially oriented type of economic development (Lunev et al., 2014a). It is found that this transition will allow, first, to reduce inter-regional differentiation in the level and quality of life, create equal opportunities for citizens and to contribute to the development of human potential (Artobolsky, 2008). Secondly, the transition to innovative socially oriented type of economic development will increase

the complexity and balance of socio-economic development of regions (Granberg, 2000). Thirdly, an innovative socially oriented type of economic development contributes to the integration of the Federal, regional and municipal authorities' commitments and their financial opportunities to create and implement long-term systemic structural territorial changes, ensuring their comprehensive development and competitiveness, the balance between revenue base and expenditure commitments (Shvetsov, 2009). The fourth, innovative socially oriented type of economic development determines the improvement of citizens' living conditions and the quality of the social environment, accelerated development of human potential (Leksin and Shvetsov, 2004). And the fifth, the transition to innovative socially oriented type of economic

development is aimed at increasing of the competitiveness of human capital and its ensuring social sectors of the economy; development of competitive service markets; improving of the efficiency of politico-legal institutions providing social services to the population (Lunev et al., 2014b). The paper's aim is to find out the specifics for leveling of the environmental polarization as a component of the strategy of perspective innovation policy of economic systems.

## 1.2. The Essence of the Strategy of Perspective Innovative Policy of Economic Systems

It is found that the economic strategy is a long-term quantitatively defined developmental direction of the object to achieve a specific purpose.

It is established that the essence of strategy of perspective innovative policy of economic systems is to develop a long-term program of institutional reforms aimed at leveling of the environmental polarization, complex development and increase of territories' competitiveness, the balance of their revenue base and expenditure obligations, as well as the reduction of socio-economic differentiation of regions to the level, due to their objective differences.

## 2. MATERIALS AND METHODS

### 2.1. Methodological Approaches to the Study

A leading approach is the institutional approach that considers the environmental polarization as a socio-economic differentiation of regions on creation of worthy living conditions of citizens, complex development and competitiveness of the regional economy.

### 2.2. Methods of the Study

During research the following methods were used: Analysis of normative documents, content analysis, foresight, facet method, classification and synthesis of facts and concepts, modeling and expert evaluation method.

### 2.3. Approbation of the Research Results

Approbation of the research results was conducted in the developing process of the concept of long-term socio-economic development of the Republic of Tatarstan of Russia until 2020. Identified methods of selective support were implemented in program development in needy areas.

### 2.4. Stages of the Study

The study was conducted in three phases.

- The first phase analyzed modern state the research problem in economic theory and practice;
- The second phase clarified the nature of selective support as a tool for smoothing of the environmental polarization; presented world experience of regional selective support; identified the kinds of selective support and carried out their comparative analysis;
- The third phase involved the systematization, interpretation and synthesis of the research results; refined theoretical conclusions; processed and presented the obtained results.

## 3. RESULTS

The main results of the study are: (1) The essence of selective support as a tool for leveling of the environmental polarization; (2) kinds of selective support; (3) world experience of regional selective support in order to eliminate environmental socio-economic imbalances.

### 3.1. The Essence of Selective Support as a Tool for Leveling of the Environmental Polarization

World practice shows that in order to smooth regional disparities the state pursues selective policy, primarily in the underdeveloped regions. However, there is no generally accepted interpretation of the term "selective support" and its role in the economic policy of the state hasn't still defined. The problem is complicated by the fact that in practice its implementation the objects of electoral impact are not only the underdeveloped regions, but overcrowded areas and developed regions, which are the "locomotives of growth." It is found that the essence of selective support, first, is identified with the regional economic policy of the state and also is aimed at creating of prerequisites for regional development, the formation of organizational - economic, legal environment for their independent activity (Larina, 2000). Secondly, the essence of selective support is considered as part of regional economic policy of the state (Leonov and Sidorenko, 2011). Third, the essence of the selective support is defined as the conscious activities of public administration bodies, which consists in the selective influence on certain regions, with the aim to achieve efficient and/or uniform distribution of economic activity across the country (Mikheev, 2000). It is believed that selective support is a tool for leveling of the environmental polarization as part of the strategy of perspective innovative policies for economic systems characterized by transparency and binding social, targeted, focused direction (Lunev and Pugacheva, 2013). The objects of selective support are specific sectors of the economy, especially needy regions and their population. It is found that selective support causes the alignment of interests of the region with the interests of the country not on administrative, but on a mutually beneficial basis through the development of services spheres, tax and social policy, improving of the quality and accessibility of public services, as well as other forms of social relations (Terentyeva et al., 2016). It is interesting for the region (the entire set of business entities – enterprises of local, regional, Federal jurisdiction, various organizations and agencies) effectively to use the available forms and types of capital on its territory.

### 3.2. Kinds of Selective Support

It is found that in practice, there are following types of selective support: (a) A polarized, focused on the planning of a network of growth poles of different levels (International, Federal, County) that have competitive advantages in the long-term, and are of potential interest for investors; (b) leveling incentive, which manifests itself in promoting of investment in needed regions and the granting of financial assistance; (c) leveling deterrent, the objects of which are the cities to maintain their economic growth with the allocation and reallocation of resources.

It is found that all kinds of selective support are united in common tools: Social transfers; targeted financial support;

program financing; public procurement; promotion of economic development by creating of new centers for economic growth in the regions based on competitive advantages; development of infrastructural security of territories and the creation of conditions for increasing of regional economies' competitiveness, including improving of transport accessibility of areas; the improvement of mechanisms to encourage regional governments for effective fulfilling of their powers and creating of favorable conditions for comprehensive socio-economic development of regions. However, each kind of selective support has a set of special tools due to the aim and objects.

Polarized type of selective support is aimed at increasing of the global competitiveness of the country through the effective use of economic potential of the regions. The objects of selective support are the largest Metropolitan area with the most dynamic economic growth, ensuring the influx of people and investment. Special tools of selective support include: Forecasting; monitoring of territories' development and strategic planning of their development; the formation of clusters; the creation of special economic zones; education and development of tourist-recreational zones; the development of large transportation-logistics and manufacturing junctions within the formation of the supporting national transport network with the necessary capacity and providing a holistic interrelation of the centers of economic growth, with a gradual integration in the developing world transport systems; the creation and development of science-cities, innovation and industrial centers, technology parks, educational and research centers; the state order.

Leveling incentive selective support is aimed at the reduction of interregional differentiation in the level and quality of the social environment and the income of the population, the convergence of living standards between Metropolitan regions and the province, cities and towns, urban and rural populations. The objects of selective support are underdeveloped and depressive regions, areas of new development, peripheral areas. Special tools of selective support include: Various types of inter-budget transfers with regard to the territorial differentiation; the integrated programs for socio-economic development; coordination of infrastructure investments by the state and business investment strategies, taking into account environmental development priorities and resource constraints; correction of revenue-sharing between regions.

The purpose of leveling deterrent selective support is balanced socio-economic development of regions. The objects of selective support are congested urban agglomerations – megalopolises. Special tools of selective support include: Expanding of zones of advanced economic growth beyond the urban agglomeration while maximizing of its markets' benefits using, with the potential's implementation of historically established regional specializations and innovative diversification of their economies; the formation of harmonious development of the environment by creating of conditions for the successful development of human capital and improvement of living standards of population, formation of comfortable living environment and an efficient economy; the introduction of "industrial development certificates"; the removal of state enterprises outside of the Metropolitan area; the tightening of legal norms on land use, environmental protection.

### **3.3. World Experience of Regional Selective Support with the Aim of Environmental Socio-economic Imbalances' Elimination**

#### *3.3.1. Experience of selective support in the 1920-1950s*

In most foreign countries, the selective support begins to form in the 20-30-ies of XX century. In the North of Sweden in the 1920s-1930s, the creation of "territories on the moor" was encouraged – special agricultural colonies to overcome the effects of the global economic crisis by increasing of the employment and agricultural products (Sidorenko, 2010). Before that the regulation of economic sectors' or regions' development mainly took the form of campaigns aimed at optimization of migration processes (e.g., settling of the Western U.S. States in the XIX century (Witwer, 1998), the expansion of territorial placement of new manufactures in the UK (Artobolevsky, 1992). An important factor for the selective support in the countries of Western Europe was the need to eliminate the impact of the economic crisis of 1929-1932, which was most strongly reflected in peripheral and less developed regions (Leonov, 1998). This period was the initial stage of the formation of the selective policy.

In the second half of the 1950s, the selective support was formed as a leveling one with the aim to reduce regional disparities. The facilities were less developed, underdeveloped regions. The most famous projects of this period include the development program of the Tennessee River valley region (Culvahouse, 2007), the formation of a single body to organize the industrial development of the Ruhr area in Germany (Kuznetsov, 2009), the creation of polders in place of the drained Bay Zuiderzee in the Netherlands (Larina and Kisel'nikov, 1998).

#### *3.3.2. The development of the selective support in the 1960s-early 1970s*

Since the early 1960s, selective support becomes stimulatory one. In 1961, the US adopted a law on territories' development on the basis of which the government extended its financial and technical assistance to lagging regions (Evenko and Bagramova, 1983). In 1965 the U.S. Congress adopted a law on the development of the Appalachian mountain. The general objective of this program had a social orientation – to create for the people of Appalachia conditions for healthy lifestyles, occupations, increasing of employment. The economic objective was that the development of the economy had to ensure the growth of incomes of the population. In Netherlands in the second half of the 1960s, the problematic areas were renamed "areas of the stimulus" also "areas of restructuring" were selected – the southern part of Limburg and the surroundings of Tilburg, in which preferential investment regulation was introduced (Larina and Kisel'nikov, 1998). In Greece until the late 1970s, selective support was aimed at promoting of the most developed regions of Athens and Thessaloniki (Bylov, 1996). The government of Canada in the same period, began to carry out systematic activities aimed at the alignment of levels of regional economic development, which currently has a high national priority and nowadays. This activities were implemented through direct financial transfers in the framework of the assistance to depressed regions (chiefly Atlantic States), as well as implementation of targeted state programs for the development of all types of infrastructure, encourage of private

investments in underdeveloped regions by providing tax and other benefits (Linnik, 2002; Asmond, 2008).

### *3.3.3. Features of selective support in the 1970-1980s*

In the second half of the 1970s the next stage of selective support's implementation begins, which is characterized by a wide range of objects and tools. If the previous stages of selective support were only compensating and incentive by nature, this period is characterized by the use of selective and deterrent support. After the crisis of 1974 to the fore front the goals not of regional but of macroeconomic nature come. In conditions of state's orientation to increase competitiveness in the global market, public investments in problem regions in the previous volumes become inadmissible luxury (Leonov and Korsunsky, 2006). Concentration of investments is observed in those regions where they are most profitable. Not only clarification of the criteria for identifying of problematic regions takes place, but also there is more accurate differentiation of provided them assistance measures. Regionalization of management and deterrent assistance to the number of areas contributed to the gradual shift of the gravity center in regional policy at lower administrative levels, which resulted in a review of approaches to the selective policy. The governments of most countries decided to abandon large-scale national and regional programs and to focus on the local programs of land use planning.

An example is France, where the main objectives of selective support of that period were: The industrialization of rural areas; restructuring in old industrial areas; deterring of the economic potential of Paris. The presence of such objectives of selective support in France is reasoned by: The existence of huge disparities in the economic development of the regions, which were intensified by internal migrations; the emergence of threats to the conservation of some backward regions due to the increasing aging of population and the outflow of professional staff; excessive human and industrial concentration in the Metropolitan areas. Another example of deterrent selective policy is "English" form of control over the placement of production facilities in London and Birmingham, through the practice of "industrial development certificate," which was necessary to accommodate new businesses in areas of over-concentration (Artobolevsky, 1992). In the UK after coming of M Thatcher's government to the power in 1979, it was decided to reduce expenditure on regional policies, significant decline in the number of areas of assistance and the easing of restrictions for the location of enterprises in densely populated areas. After the United Kingdom the selective support of other countries of Western Europe was completely reconstructed.

In Sweden in 1985 the act on "regional policy" was adopted, proclaimed the combination of economic efficiency and social justice, that is, the combination of leveling and polarized types of selective support (the prosperity of the welfare state). The main objectives of selective support are: Encouraging of entrepreneurship; development of services spheres; providing of employment; improving of the quality of the environment in any part of the country (Pchelintsev, 1991). In Switzerland in 1974 a law was adopted on investment aid in mountain regions, which began to develop the infrastructure, and since 1976 the small and

medium-sized firms are supported (Bylov, 1996). In Greece, in the conservatives' government program in 1976-1980 the main purpose was proclaimed to achieve the overall efficiency of the country's development that meant the autonomous development of regions through the use of their own resources (Juill, 2009). Another example of deterrent selective policy may be Argentina, where the growth of production concentration in the coastal area forced the government to prohibit the establishment of new industrial enterprises in the capital (Artobolevsky, 1992).

South Korea chose the concept of "growth poles," the focus was on the development of Seoul and Busan (Sidorenko, 2010). In China in 1979, the concept of "even distribution of productive forces" was officially replaced by the concept of "comparative advantages using," the preference was given to regions with greatest economic growth potential (i.e., seaside) (Portyakov, 2002).

The selective support tools at this stage were aimed at indirect deterrence of businesses' locating in agglomerations, as a rule, they were the tools of fiscal policy. For example, raising of tax rates on land, including the "penalty" one – the more close is located to the center of Paris, the higher the rate; in Finland a special tax on investments in construction was introduced (Kuznetsov, 2009).

### *3.3.4. The development of selective support from 1990 to the present*

Since 1990-ies the next stage of selective support begins, which can be characterized as polarized one. Regional policy aimed at acceleration of economic growth of lagging regions within countries, for population incomes' growth has been unable to achieve the goal. Very hard was the basic premise of the policy - to attract business to the regions with the worst conditions for development. Widely used institutional mechanisms to encourage investments (tax incentives and holidays) and investments in the infrastructure of lagging regions has not been sufficient argument for businesses in the place's choice of assets' location. Unlike regional leveling within countries, a similar policy towards the less developed new countries of nations of the European Union gave positive results by reducing differences between them and the more developed members of the European Union (Shkirina and Shuvalov, 2009). This was achieved through advanced development of the strong regions, i.e., environmental polarization.

A significant change in the formation of selective support of all countries of the world were the following circumstances:

1. The signing of the Maastricht agreements in 1993, which gave the basis for the implementation of the new "supranational" regional policy within the European Union and the development of integration processes (the transformation of "Europe of national States" in "Europe of regions");
2. The economic crises accompanied by rising unemployment, spreading unevenly throughout the country (in those cases where regional authorities have failed to solve the problems of unemployment and unable to stimulate economic growth, they come to the aid of the central authority);
3. The spread in society of the ideology of the "welfare state," forcing the government to set a goal of equal living conditions'

- and entrepreneurship creating for the population of the entire country, regardless of place of residence;
4. The globalization of the world economy changing, sometimes radically, the traditional inter-regional relations within individual states, sharpening international competition of the countries (regions), transforming the conditions to use by national governments of macro- policy means and character of distribution of economic policy instruments between different levels of power. Globalization meant the increased competition between countries, but its main burden fell on the shoulders of the largest (global) cities. Policy of their discharge was contrary to national interests, undermining the competitiveness of European countries in the world. There is a transition to a policy of support for major cities which is really constrained by the restrictions imposed by the European Union to ensure freedom of competition. A very illustrative one is the example of Netherlands where a new policy that includes the incentive of the development of Rastadt, was called environmental one (and not regional, as it was called earlier, when it restricted its development) (Sidorenko, 2010). However, only in relatively homogeneous Netherlands and Denmark this direction was the main one in selective support, and then only after the solution of virtually all other regional problems;
  5. The negative consequences of long-term discharge of agglomerations, held earlier in the developed countries of Europe, accelerated the processes of suburbanization and led to the emergence of crisis areas, known as “internal” (inner areas). These areas became the focal point of the marginalized groups of the population who had no money for moving to more expensive housing. Riots in them were recorded in many countries – the UK, France, Belgium, and others (Phillips, 2011). As a result a new direction appeared and institutionalized, focused on the development of predominantly “inner areas” of major Metropolitan areas. The transition from the policy of development of significant by area territories to support of individual centers and even their parts took place. Currently in Western Europe in relation to major centers simultaneously two types of selective support is carried out, which are not always clearly separated from each other. So to say, a successful project of reconstruction of the London docks (creation of prestigious housing and offices, the light rail line and inner city airport for business people, etc.) resulted in the elimination of the internal crisis of the range, but also strengthened the global positions of the British capital. The common regional policy of the European Union tries to combine both of these goals. Since 1994, there is a separate URBAN program aimed at the development of crisis areas in the cities. Among these areas there are many blocks of the largest centers in Western Europe – Brussels, Vienna, Berlin, Paris, Dublin, Amsterdam, Rotterdam, Turin and etc. Assistance in the framework of this program is provided outside the formally allocated crisis areas, de jure expanding the geographical scope of the common regional policy (Sidorenko, 2010). Although officially forces are focused is on cities in crisis areas, it is clear that they will be very favorable for the image of the centers as a whole, reinforcing their global positions in comparison with the centers of the “third world” countries.

It is clarified that the basis for the polarized (focused) selective policy is the theory of growth poles, which relies on the leading role of the sector structure of the economy and the enterprises – leaders, which create highly competitive products and services. From here the recommendations follow largely distributing internal management practices on formation of competitive advantages of the business to a new level – the level of territorial entities (region, group of regions, municipalities, etc. In the works of Russian scientist Granberg it is indicated that the region is a “quasi – Corporation” (Granberg, 2000), which should not only produce a number of public goods, but also create the right environment to attract and create resources, ensuring their effective placement. This approach provides a global orientation of the region because it is based on the idea of a global competition in conditions of necessary search for internal forces for the development of territorial entity as a whole and its infrastructure in particular. Therefore at this stage the selective instrumentation support in many countries is greatly diversified. If initially the emphasis was done on providing of direct financial assistance (sometimes over 50% was paid of the project’s cost), now more widely are used indirect measures of regional policy aimed at increasing of the investment attractiveness of selected areas, especially in the framework of the single regional policy of the European Union.

One of the priority instruments of the modern selective support of many countries is the public procurement system (or “scheduled contracts”) (Kuznetsov, 2009). The system of “planned contracts” includes the main areas of regional development as the improvement of infrastructure, industry, agriculture, education, science. Using the contract system of organization of public procurement, the state is able to assess the scope and feasibility of the work, selecting on the basis of the competition the most promising and least expensive projects, which are able to remove the socio-economic tensions in the troubled region.

One of the most active incentive methods of selective support is the programming of regional development, which is a set of tools aimed at stimulating of the endogenous and exogenous type of regional development. Vivid examples of successful implementation of the program method of regional development are: The program “Tennessee” and “the Appalachians” in the U.S., the program “South Limburg” in the Netherlands, “the Pilbara is 21” in Australia (Larina, 2000).

### *3.3.5. Features of selective support in Japan*

Experience of selective support was formed in Japan in the early 1960s, when for first time the goal was formulated of rapprochement of socio-economic development’s levels of districts of the country through the rational use of national resources and the proper allocation of labor forces, capital, scientific and technical resources. As a leading concept was the idea of polarized development. It was based on the assumption about the presence in the regions of kinds of “pockets of growth,” or “poles,” generating their forward movement. Regional development was associated mainly with industrial development. The environmental crisis of the 1970s led to the emergence of a new program of productive forces’ distribution and improvement of the country, outlined

in the book by Prime Minister of Japan Tanaka “Plan for the reconstruction of the Japanese archipelago” (Japan, 1998). In the preface to the book Tanaka writes that the negative aspects of urbanization, manifested in urban congestion, rising of prices, pollution of the environment with industrial wastes, rural decline and the buildup of imbalances in the development of “sun” and “shadow” Japan, began to outweigh its positives ones. All this, according to Tanaka, makes principally to withdraw from the concentration of population in large cities and to direct the forces of the nation on the development of the whole territory of the Japanese archipelago. It is crucial to note that, in this book for the first time at the highest level the existence of territorial imbalances throughout Japan was acknowledged. Uniform placement of industrial facilities and infrastructure’s development acted here not only as a goal of regional development, but also as a means to overcome the rupture in levels of incomes and living conditions in different parts of the country. In other words, there was observed a reversal of economic policy, including regional one, towards the solution of social problems of regions. The conceptual breakthrough made by Tanaka was that economic and development policies of the territory for the first time were presented in his book as a whole (Pevzner, 1974).

In the mid of 1970s the concept of integrated resettlement was put forward, stipulating the formation of special zones, conglomerates of cities and rural areas, including natural systems, where they were located. In the early 1980-ies a new concept of regional development was created based on high-tech systems – techno-polis, combining two theoretical starts, the “polarized development” and “community.” The techno-polis should be developed mainly by the initiative of local governments, with the active participation of local entrepreneurs and the population with regard to natural-geographical and socio-economic characteristics, without destroying, but rather emphasizing local characteristics and identity. The principal difference between the Japanese techno-polis from their foreign counterparts is the social focus of the concept, which plays an important role in attraction of the interest and sympathy of the local population (Japan, 1990). The development of techno-polis has become a fundamental component of the general concept of multi-poles use of the national territory. The essence of this concept was the dispersal of the functions of the center, not only of production but also research, communication, managerial, cultural on various “polar” regions of the country. The concept introduces the definition of high quality living environment in the unity of its natural, cultural, historical and social aspects, and economic, including industrial, development appears not as an end in itself but as a means of solving the problem to ensure higher living standards throughout the country, taking into account such trends as aging of population, increasing of demands for living conditions, the increase of the fund of free time (Menzo, 1993).

At the same time, relations of center and periphery were not a “one way street.” Professor at Princeton University Samuels argues that the system of vertical relations between Central and local governments in Japan was not as simple and straightforward as it was often represented in Western studies (Samuels, 2014). In Japan, in his opinion, mixed formal and informal, horizontal

and vertical linkages co-existed (for example, the National Associations of Heads of Local Authorities, designed to strengthen horizontal links and simultaneously being agents of government policy). Samuels believes that the relationship between the central departments, who submit orders to places, is one of the features of selective support of Japan in that period. In his view, these relationships can be called “sectional centralism.” The scientist believes that the evils of “vertical administration” were often, in fact, the vices of “isolation,” of narrow departmental approaches. This trait was inherent and to business relations in Japan, but was not absolute in nature (Samuels, 2014). The balances in the public administration were different interagency entities, emerging on the problematic symptom.

For example, balancing of income and expenditure of central and local budgets, when the local authorities receive substantial transfers from the center through channels of redistribution of taxes, state subsidies and grants. In transfers’ distribution, the government assumes that the citizen residing in any prefecture or the city, was both a Japanese citizen and therefore he should receive a certain set of public services no matter what was the financial situation of the local authority. The gap in expenditure on education between “rich” and “poor” prefectures is significantly less than the costs on “public works,” that reflects the focus of government policy on territorial homogenization of consumption of socially guaranteed services. In addition to non-repayable payments, the government of Japan used a system of preferential target lending of local governments through the program of loans and investments for projects’ financing with expected profit. The problem of the appropriateness and fairness in distribution of financial resources between the territories was often given in a Japanese press in the speeches of the politicians as the issue about the relationship between “wealthy” and “subsidized” regions. The role of the national government was confined to collect the riches of the three regions and to redistribute them among all the others. The author, apparently, expressed the view point of the most developed prefectures, the tax contribution of which to the state treasury is the highest and who believed that it was unfair to cut the amount of subsidies to wealthy regions. Especially often complained about it the authorities of Tokyo, which in addition to the cost of the big city had the burden of costs associated with the status of the capital (Yeliseyev and Yeliseyev, 2008).

In the tough financial conditions of the 1990s, the government proposed and implemented anti-crisis measures that received broad support: (1) Additional expenses for “public works” (which always were supported by the local economy); (2) the new insurance system for the care after elderly citizens (which was financed mainly from the budget but practical organization was carried out by municipalities, which helped to create additional jobs); (3) privatization of some services that traditionally were carried out by public enterprises (waste removal, provision of school lunches, care after the elderly at home, etc. It was believed that private companies can reduce the cost of these services, for example through the employment of part-time workers); (4) attracting of investments into regional economy (in the interests of increased employment and inflow of revenues to local budgets); (5) non-repayable payments by the central

government to local authorities: (a) The use of special targeted contributions (from government) to local governments in whose territories some national program were implemented; (b) the system of so-called ceded taxes, when the state “conceded” to the local authorities a number of taxes that sent for certain purposes; (c) grants and subsidies from the treasury intended for partial or full reimbursement for the performance of functions delegated to the local level of government.

In 1995 the law on decentralization of the regions was adopted (Sazonov, 2011). And in Japan a flexible system of rights and obligations of both parties involved was developed – the Central government and local governments. This ensured conditions for the development of regions and implementation by local authorities of their duties, as well as to build an appropriate regional economic policy. However, as the regions gained “economic weight,” the system began to slow down their further development. And in 1999 the government provided for adjustments in the tax system: The tax rate on corporate profits was reduced from 34.5% to 30% (national) and from 11% to 9.6% (local). This means that the national rate was the lowest among developed countries. The top income of tax rate fell from 50% to 37%, for residents from 15% to 13%. The program included projects such as the transformation of Japan into an advanced E-government, the development of transportation systems of large urban agglomerations, the transfer of social infrastructure to a qualitatively new stage: Telecommunications, science and technology, environment, social security, competition, rural regions and large urban agglomerations, the establishment of stable employment, based on advanced technologies. In 2007 another law was adopted on local self-government, which had further delineated of the powers of local and the central authorities in favor of local government. In fact, the intervention of central authorities in local affairs was kept to a minimum. At the present time to increase the administrative and financial resources and to solve contemporary problems, such as waste recycling, cities, towns and villages can be combined into a larger municipality. This process is actively supported by the government. Thus, the efficiency of self-government at the local level is increased (Sazonov, 2011). In summary, it can be noted that selective support in Japan is characterized by flexibility, the ability to transform under the influence of the changing realities of society and the environment that makes it more stable and reliable.

#### 4. DISCUSSIONS

Important theoretical and practical significance to research has the work on leveling of the socio-economic development of the regions by Artobolsky (2008), Granberg (2000), Kuznetsova (2009), Leksin and Shvetsov (2004), Leonov (1998). Very interesting are publication, disclosing methods of selective support by Leonov and Sidorenko (2011), Lunev and Pugacheva (2013), Pugacheva et al. (2014), Shvetsov (2009). However, the analysis of scientific works shows that the problem of leveling of environmental polarization is of discussion character. In the special literature the question about the essence of selective support is not solved; the world experience of selective support of regions with the aim of eliminating of environmental socio-economic imbalances is not generalized. Comparative analysis of types of selective support needs its updating.

#### 5. CONCLUSION AND RECOMMENDATIONS

It is found that leveling peculiarities of the environmental polarization as a strategic component of the perspective innovative policy of economic systems are as follows. First, in enhancing of the effectiveness of selective exposure of the state to create regional conditions for autonomy strengthening of the territories to ensure quality of the social environment, competitiveness’s growth of human capital and ensuring it social sectors of the economy, formation of service markets. Second, in state’s deliberate selective intervention in processes of regional development when the environmental socio-economic imbalances become excessive (the latter as the inevitable negative consequences of the activities of market mechanisms). Thirdly, in ensuring of the regional balanced socio-economic development in order to reduce the level of interregional differentiation in the socio-economic status and quality of life.

It is clarified that the features of leveling of the environmental polarization as a strategic component of the perspective innovative policy of economic systems are conditioned by the following preconditions: (1) Geographic (territorial) division of labor and specialization of individual territories on the production of certain types of goods and services; (2) the formation of poly - layer territorial structures of the economy with the identification and integration of various territorial zones; (3) the processes of formation of clusters that concentrate the junction elements of territorial systems in local and regional combinations; (4) the gravity of the structural units of the territorial structures of the economy to the environmental alignment and the intersection; (5) the uneven placement of natural resources, geographical differentiation of natural conditions, which is manifested in the territorial division of labor.

It is established that the set of identified preconditions is of regional interest, the content of which can be divided into two components: Direct and indirect. Direct component reflects the immediate needs of the region – improving of the lives of Russian citizens and quality of social protection; developing of the abilities of each person, the accelerated development of human potential; improving of the competitiveness of human capital and ensuring it social sectors of the economy; development of competitive service markets; improving of the efficiency of politico-legal institutions providing social services to the population. Indirect component reflects the needs of the system at a higher level (the economy of the country), in which the region is included as a subsystem. At the present time it is, first of all, improving of the comprehensiveness and the balanced development of the regions and the distribution of productive forces; reduction of territorial socio-economic differentiation to the level, due to objective differences of the regions; balancing of the revenue base and expenditure commitments of the regions. The dialectical relationship between direct and indirect components provides a stable orientation of leveling of environmental polarization on the creation of conditions that allow each region to have necessary and sufficient resources to ensure decent living conditions of citizens, complex development and increase of competitiveness of the regional economy.

The article submissions will be useful for specialists of Federal and regional authorities, local governments, line ministries, scientists who are interested in issues of regional economy and innovation policy of economic systems.

Taking into account the obtained results of this study a number of research challenges and promising directions that require further consideration can be identified: The mechanism of selecting of the most needy areas and assessment of performance of the selective impact of the state on socio-economic development of these territories; the mechanism of objects' selection for selective support; the mechanism for the formation of regional economic policy of the state depending on targets ("performance"/"equality"); tools of the selective effect on problematic regions (target - equality); the tools of selective exposure on the more developed regions – "growth poles" (target - effectiveness).

It is found that the effectiveness of leveling of environmental polarization as a strategic component of innovative policies for economic systems will be improved with selective support to the needy regions, characterized by transparency, mandatory, targeted and focused direction.

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