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# **National Welfare Increment as the Imperative Institutional Determinant of Regional Systems' Development in the Innovative Processes' Globalization Context**

## INTRODUCTION

The purpose of this paper is to base the necessity and to offer the real ways of national welfare as the integrated innovation-oriented economic development resource methodology and set of instruments revision; to expose the economic content as well as conditions, principles and factors of new national welfare model (which the innovative economic subjects interests coordinates) forming and its role in regional economic growth valuing. The main research peculiarity is the first time complex approach using which multilateral system national welfare as the integrated innovation-oriented economic development resource from socioeconomic dynamics view indication allows.

Authors' approach novelty consists firstly in the theoretical basing of the heuristic necessity of four-sector national welfare model as the innovation-oriented development social-resource component into the regional economic trends management system integration. Regularity that the higher national welfare resources into the regional economic growth factors conversion level the economic subjects innovative activity level growth promotes is exposed and empirically verified.

## THEORETICAL, METHODOLOGICAL, AND EMPIRICAL BASIS OF RESEARCH

Theoretically the research is based on system approach and conceptual propositions grounded on it which in the innovative economics and innovation economic policy, welfare economics, theories of institutional changes and cluster – based policy strategies scientific works are presented and substantiated.

Empirical basis of research is formed on the ground of state statistics federal service, strategic and program national welfare development and innovative

economic orientation documents official data as well as on the materials of native and foreign scientists monographic researches, author's long-term theoretically-empirical researches experience received during the process of international and native projects in this sphere working out.

Methodical set of instruments combines various theoretical and practical methods of scientific research – methods of system, functional and comparative analysis and synthesis, factual data classification, methods of mathematical statistics and sample investigations, mathematical modeling. Instrumental tools Microsoft Office Excel 2008, STATISTICA 8.0 were used.

### INTERMEDIATE RESULTS OF STAGES OF RESEARCH

Purpose of national welfare increment ways for regional systems' development in the innovative processes' globalization context has determined the necessity and logic succession of the following stages of research realization:

1. To expose the conceptual preconditions and to show up the methodological platform of national welfare as the integrated innovation-oriented economic development resource identification.
2. To substantiate conceptually and methodologically the theoretical model of national welfare as the integrated innovation-oriented economic development resource research.
3. To work out the mechanism for innovation effects from national welfare resources increment valuing.
4. To devise managing strategies, models and set of instruments for the national welfare resources in the innovation-oriented regional economic development interests' accumulation and productive using basing, diagnostics and monitoring.

Intermediate results of these four stages of research realization are the following.

In a context of the modern economic development model the essence of national welfare is expressed in new aspects – it becomes not only the accumulated re-iterative reproduction process result, but also is converted into the integrated innovation-oriented economic growth resource-factor. This conversion is connected with world and national economic systems movement towards innovative “knowledge economy”, competition gravity center transference to the science, education, innovative activity sphere, non-material actives role in economic reproduction process increasing [Woolcock, 1998, p. 15–16].

The resource-provided countries have the export-raw model of economy. Their development may be characterized in comparison with other countries by the rough, spasmodic rate, mainly caused by considerable raw materials prices and economic instability.

Such development is inevitably accompanied by the problems which brake economic modernization and its social and innovative orientation. On the contrary, the development of the countries which realize the policy of human capital quality, national well-being, high technologies increment provides advantages in world socioeconomic evolution, raises competitiveness of national “intellectual” economy.

Increasing human development quality importance for economic growth generating and competitiveness has initiated the mounting interest of economists to the subjective factor (the human capital) role in production progress. It has gradually promoted the national welfare parameters (at first – the individual, especially economic; later – the social, public) inclusion into the economic dynamics resource supply research system.

The globalization accompanied by substantial capital mobility and national economies openness increasing transforms the national welfare economic content and display forms in reproduction process, modernizes its structure and functions in the conditions of transition to the innovative-focused economy.

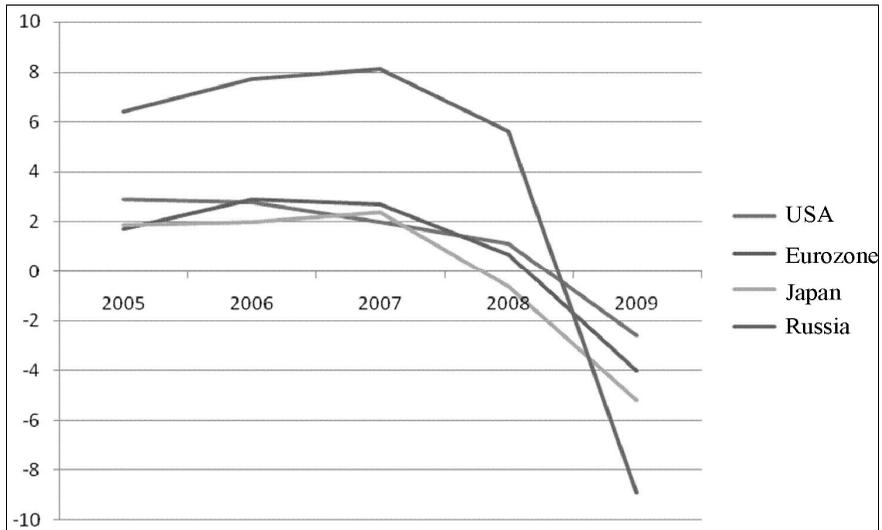
These tendencies find reflection in the new long-term economic trend research methodology – the methodology which equally considers society and economy interests. The national welfare becomes the major productive forces element and the integrated institutional condition of the human capital reproduction [Lazareva, 2009, p. 57–70].

The new national welfare interpretation won't be coordinated with the implanted representation about well-being as a gross national product and national monetary income synonym. National welfare is not identically to the economic well-being of a society, but it depends on it. The average income growth in a society leads to an educational and population health quality increasing, improvement of working conditions, higher access to scientific achievements and technologies... and, as consequence, – to the cumulative national well-being growth. Basic difference between the narrow economic and the expanded concepts of national well-being consists in that the monetary income serves in the first of them as a final measuring welfare instrument, and in the second – only as an auxiliary means of its rising.

The national economies innovative-focused development researches trace the obvious cyclic nonlinearity of the dynamic trends, originally indicated by the national welfare accumulation – consumption relation. Accumulated national welfare becomes depleted during the period of stagnation, low rates of economic dynamics (as the result of its part mobilization for economic growth objectives), and, on the contrary, collects and creates the integrated basis of a long-term economy rising trend at the cost of the increasing add-on national income during the lifting period of high growth rates. It being known that sizeable accumulated national welfare rate in highly developed countries creates the definite innovation-oriented economic growth “stability stock”, which decreases the depth of the depression in crisis (fig. 1).

The non-material goods-resources together with traditional material blessings form this “stability stock” basis due to such their key properties as value (limit utility) increasing in use, unlimited reproducibility and positive network effects. The considerable part from them acts in the form of non-material actives. These actives institutional converting in innovative productive factors of competitive, “intellectually roomy” goods/services is carried out in the global competitive markets, forming the income in the shape of an innovative rent. Capitalization of an innovative rent transforms it into a source of the innovative-focused reproduction process modernization.

Economic innovative factors role increasing and action scales widening change the traditional views on classical phases of the modern expanded reproduction process. The non-material actives accumulation stage (but not the production process) becomes an initial, defining phase in the new scheme of reproduction economic relations, because it creates a resource basis of economy of innovative type.



**Figure 1. Gross Domestic Product, Growth Rate, %**

Source: Composed according to the information bulletin “World economy survey: 2009 totals and 2010 perspectives” data – <http://www.sbrf.ru/>.

The analysis of functional properties and set of interrelations of national well-being components with innovative development of economy process has led to its structured representation in the form of the four-sector resource system which components express quality of the population, a standard of living, quality of social sphere and quality of the ecological environment. The distinguished four national welfare components just define the basic vectors of its accumulation at an initial reproduction stage. They form the potential of innovative eco-

conomic dynamics rates increasing on the basis of national welfare resources converting into innovative economic growth factors.

Research of conditions and factors of new subject-objective relations in national well-being reproduction model forming has shown that “network economy” subjects under the global competition pressure demands high degree of all involved interests coordination and form corporate community in the course of sharing of national welfare resources. Collective strategy of actions coordination, cooperation, mutual training, information interchange, intersubject contractual partnership juts out as the key mutually advantageous strategy of the given community.

The “corporate” (associated) strategy efficiency is defined in these institutional conditions by degree of its three imperatives – economic efficiency, social justice and ecological stability in the course of national welfare resources sharing coordination.

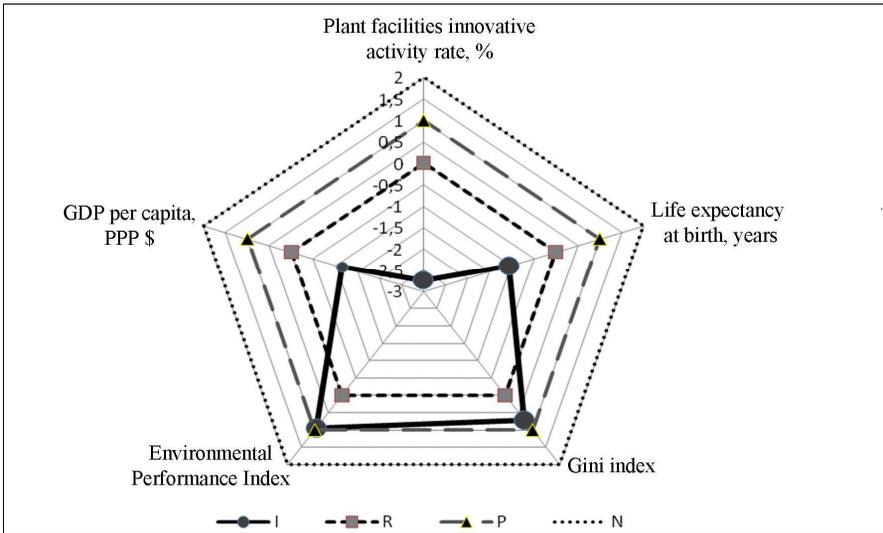
The priority role in the institutional mechanism of subjects’ collective strategy realization is given to the public long-term economic policy. The key principle of national welfare accumulation (its reproduction as socially useful blessing), basically, for the account of innovative rent re-investing into development of the population and socially-ecological conditions of its reproduction quality – education, public health services, fundamental science, social infrastructure, environment protection forms the basis of the interfacing three specified public policy imperatives.

The complex estimation of national welfare four components for innovative growth of economy supply is based on the “resources – results” methodology of national well-being diagnostics using. The national welfare as an economic development integrated resource diagnostics methodology and monitoring indicator base reflect the two-aspect, “resources – results” structurization of the integrated national welfare resource potential (INWRP) – their resource component characterizes the separate resources potentialities (possibilities) for innovative activity initiation, and resulting one – reflects the economic benefit from resource possibilities using, i.e. characterizes the reached level of national welfare converting into innovative growth factors [Lazareva, 2011, p. 105–120].

National welfare as an economic development integrated resource state-of-the-art (fig. 2) and its increase innovative effect diagnostics (on an example of Russia with the four-sector modeling toolkit realizing “resources – results” methodology) has revealed that by force of economic policy strategies realization (including strategy of educational level/quality improving and decreasing of population morbidity, poverty rate cutting and per capita income buying power increasing strategy, property and infrastructure facility population ratio and employment rate rising strategy, development of small-scale business and enterprising freedom increasing strategy, dynamical information infrastructure creating and technologies access increasing strategy, etc.) indicators of modern Russian economy subjects innovative activity can be increased approximately in 1,5 times.

The highest importance (132 %) among four basic national welfare components in innovative effect integrated indicator belongs to social sphere resources that reflects a priority of the social, socially useful blessings – sources of the social capital accumulation reproduction. These goods are characterized by such important from the innovative growth point of view properties as positive network effects and their limiting utility in the course of use increasing.

Considerable asymmetry of various strategies innovative effect estimations defines priorities of a long-term regional social and economic policy. In particular, for the regional economy characterized by zero, weak, average and high social sphere resources converting in innovative dynamics factors ratio, strategy of social infrastructure development and employment rate rising, strategy of small-scale business development and enterprising freedom increasing, strategy of scientific achievements and new technologies access increasing, development of an information infrastructure are priority, accordingly (fig. 3).



**Figure 2. National Welfare as the Russian Economic Development Integrated Resource State-of-the-art Estimation**

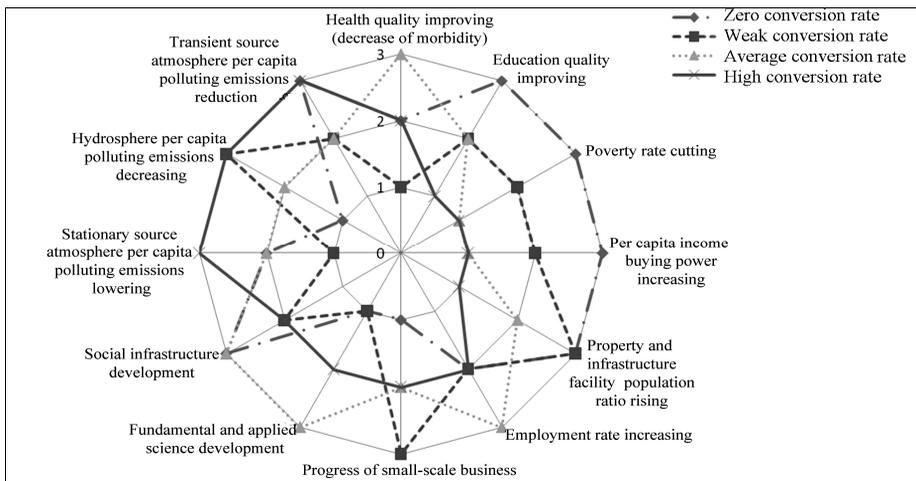
Source: Composed according to the author's set of instruments approbation results.

## CONCLUSIONS

The received results testify that the complex system of the long-term innovative economic policy measures in the national welfare sphere is necessary. It, in turn, demands transformation of existing system of strategic social and eco-

conomic decisions acceptance, stimulation methods and the state support, including national welfare resources mechanisms of accumulation and productive use in interests of innovative dynamics perfection.

The offered four-sector model of the national welfare resource management integrating analytical procedures of national welfare resource potential and long-term economic policy strategies innovative effect complex estimation can be used for a substantiation, diagnostics and monitoring of the long-term policy modernization. The revealed innovative effects verify to a basic change of national welfare function during the innovative economy epoch and about the state long-term economic policy complex modernization necessity. They also specify in priorities in regional social and economic policy realization. Investments into innovative national welfare resources – living conditions, social and information infrastructure, science, education, public health services, culture, etc. – should play a key role.



**Figure 3. Spatial Strategic Russia's National Welfare "Development Crystal" in the Innovation Economic Growth Interests**

Source: Composed according to the author's set of instruments approbation results.

## REFERENCES

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*Summary*

In the article innovation-reproductive and rent-generating function of national welfare is exposed, complex analysis of the results of system parametric indication of the strategy of national welfare development in the regional innovation economic growth interests on the author's set of instruments ground is conducted.

**Wzrost bogactwa narodowego jako instytucjonalna determinanta rozwoju systemów regionalnych w kontekście innowacyjnych procesów globalizacji***Streszczenie*

Przedmiot opracowania stanowią funkcje innowacyjno-reprodukcyjne oraz korzyściotwórcze bogactwa narodowego. W oparciu o autorski zestaw narzędzi przeprowadzona została szczegółowa analiza rezultatów wykorzystania systemu parametrycznych wskaźników w strategii rozwoju dobrobytu, która jest ukierunkowana na regionalny wzrost gospodarczy bazujący na innowacjach.