

# Chapter 39

## Functional Effectiveness and Modern Mechanisms for National Urban Systems Globalization: The Case of Russia

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### ABSTRACT

*Cities' transformation into active actors of international economic relations and their participation in international competition form a complex of relevant problems about efficiency of relationships between business and government, global competitive advantages of urban economies, quality of municipal governance, and development and international integration of the urban system of the modern countries (including Russia). This chapter examines a development of the modern features of the urban system in Russia, analyzes its macroeconomic indicators, actual problems, and evaluates various scenarios for the development of both individual urban economies and the entire urban system of Russia.*

### INTRODUCTION

Modernization of economy of Russia with world's largest natural resource, personnel, innovation and technological potential should be based on transformation of mechanisms for Russian industries' integration in world globalizing economic space. Improvement of efficiency of Russia's involvement in globalization trends requires an adaptation of the Russian economy to leading global trends - growth of modern cities economic importance and concentration of world economic activity within the boundaries of magapolices' global network.

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Features of formation of Russian urban model and national system of Russia' cities' territorial distribution, as well as modern problems of Russian cities' functioning that became particularly acute in conditions of Russia' economic growth slowing, reducing of indigenous population and growth of international migration, identified an importance and relevance of finding modern approaches to urban management systems in Russia and scenarios of Russia further urban environment development.

*The purpose* of the study is to define, based on the analysis of factors and features of Russia urban economy development, the possible scenarios of Russian urban economic systems progress, as well as the tools to modernize Russian city network for its adaptation to needs of the global economy and world market trends .

Objectives of the study:

- To assess current economic role of cities in the functioning of Russia economic system;
- To identify patterns of economic development of Russia cities during the past 20 years;
- To consider the main problems of formation and present stage of Russia urban economy development;
- To clear possible scenarios of Russia urban system progress, to assess abilities of achieving an optimal performance of the Russian system of municipal services in the future;
- To set recommendations for modernization of the Russian urban economy in the short term.

The main hypotheses of the study:

- H1:** The economic importance of Russia cities does not correspond to their role in formation of the Russian population;
- H2:** The system of Russia municipal economy is not effective in terms of its capabilities of territorial distribution of economic activity, distribution of income and potential for economic progress;
- H3:** Structure of Russia urban economy mostly doesn't meet logic of today's global cities and urban business systems;
- H4:** Russian cities are low effective in terms of implementing their functions for innovative development and technological progress stimulators;
- H5:** The most important trends determining development of Russian cities, as well as probability of formation of Russia modern urban economies, deeply integrated into the global economic production and trade processes are growth of labor migration, introduction of the principles of entrepreneurship in city management, as well as development of international economic relations between cities.

## **MAIN FOCUS OF THE CHAPTER**

### **Russian Cities in Modern Conditions of Economic Globalization**

Russia is a geographically largest country in the world and leading economic system in the structure of global economy. Cities are places for residence and employment of almost 2/3 of Russians. This, on the one hand, allows considering Russia as an urbanized state. On the other hand, evaluation of the sources of Russia's GDP shows diametrically opposite results - a large part of Russia's gross domestic product is not formed in the cities but in rural areas (primarily in the regions of natural resources location).

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