

COMPETITIVENESS OF THE REGIONAL ECONOMY: A RANGE OF TOPICAL ISSUES OF THEORY AND PRACTICE

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Abstract. Based on the interpretations of competitiveness existing in the literature, the paper considers the competitiveness of the regional economy. The methodological principle of symbiosis of political economy and institutionalism shows that the development of the economy should be based on the knowledge of economic laws and the development of proper institutions that consort said identified laws (institutionalization of economic laws). The paper contains an outline of a range of topical issues related to the implementation of the competitive advantages of Russia and its regions. Among them is the comparison of the territory to an economic resource that requires integrated use; ensuring the integrity of socio-economic space, infrastructure development of territories, development of territorial and production complexes (clusters), human resources problem, etc.

Keywords: competitiveness, regional economy, economic space, territory, infrastructure, regional reproduction, cluster economy.

JEL codes: R11, R12, R23, R28, R58

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Introduction

The term «competitiveness» has recently been used more and more often in the modern literature and in the mass media. It applies to the country as a whole, to its individual regions, industries, cities, enterprises, goods (including labour) and services, and institutions. The titles of publications of recent years say the same (Karpov, 2006; Sorokin, 2014; Sadovnikova, 2017; Kitieva, Merzhoeva, 2019; Maslova, Avdeev, 2019; Moseiko et al., 2019; Palgova, 2019; Tkachenko, 2019; Khvostenko, 2019 et al.). In other words, competitiveness is a multilevel notion. At each level, the content of the concept has both similar interpretations and differences associated with the objectives, scale of economic activity, economic and socio-cultural characteristics of development, a set of factors determining the external environment in relation to the economic entity. That is to say, competitiveness is a multifaceted category. It can also be considered in terms of competitive advantages — resource, technological, structural, socio-economic, institutional, etc.

In this regard, different interpretations of «competitiveness» can be found in the economic literature, depending on the object of study. Thus, if it is a question of a country's ability to enter the world market and occupy its own niche, in this case the emphasis is made on the compliance of traded goods and services with the requirements of the world market. M. Kitieva and L. Merzhoeva note that «the concept of 'country competitiveness' is the ability of a country in conditions of free international trade to provide the world market with goods and services that meet its requirements with a natural improvement of the well-being of the country and its citizens» (Kitieva, Merzhoeva, 2019, p. 65). In this regard, the competitiveness of goods is understood as «the comparability of their consumer and price performance with foreign analogs and their ability to meet consumer demand» (Chebotarev, 2020, p. 89).

The competitiveness of an organization is defined, for example, «as the ability to achieve its own goals even in the face of adverse environmental developments and competitor opposition» (Khvostenko, 2019). Personal competitiveness in psychology, pedagogy is defined as «a socially oriented system of abilities, properties, and qualities of a personality, characterizing its potential capabilities to achieve success (in studies,

professional and non-professional life activities), determining adequate individual behavior in dynamically changing conditions, providing internal self-confidence, harmony with self and the surrounding world» (Sadovnikova, 2017).

As applied to institutions, competitiveness is the victory of an institution in a competitive struggle. This «means that it is the one that gets disseminated, i.e. applied to solve everyday economic tasks. At the phenomenal level, this manifests itself in a change in the behavior of economic actors and bringing this behavior in line with the competitive norm» (Vasilenko, 2011, p. 188).

As for regional competitiveness, there are also different interpretations. Some emphasize the growth of regional residents' well-being through the target GRP per capita through «the efficient use of regional resources, and primarily labor and capital, compared to other regions» (Sharybar, 2015, p. 320). Others give a broad interpretation of this category, when the competitiveness of a territorial system is understood as «a relative characteristic of a territorial system that determines the availability, identification, and productive realization of its competitive territorial potential. The potential ensures the long-term independent vital activity of economic entities in the territory and sustainable increase in the rates of its socio-economic development, as well as proves an opportunity for the governing bodies of the territorial system competing with other territorial systems for various resources to influence macroeconomic policy, advocate the interests of the territorial system at a higher level of governance, and shape the necessary internal environment» (Moseiko et al., 2019, p. 93). In this interpretation, we see a number of aspects, properties, which we also investigate (Babayev et al., 2017; Babayev et al., 2018):

- firstly, the potential of the territory;
- secondly, the economic independence of the subjects of the territory;
- thirdly, sustainable development;
- fourthly, the socio-economic interests of the territories.

It also makes sense to talk about institutions that are adequate to the requirements of natural and socio-economic laws.

Methodological study basis

A symbiosis of political economy and institutionalism is used as a methodological framework. Political economy penetrates into the essence of a phenomenon or process, revealing regularities, laws of economy functioning, existing contradictions as a driving force of development; it lays the foundation for the development of socio-economic policy, reveals the possible consequences of certain decisions. Institutional economics considers formal and informal norms and rules, which, together with the mechanisms of inducement to comply with them, determine the behavior of economic subjects, leading them in a certain direction. In this interaction of the two economic-theoretical concepts, the objective and subjective principles are combined, and the essential (endoteric) and superficial (exoteric) relations do too.

The productivity of such synthesis has been proven in a number of scientific studies conducted at Ivanovo State University over the past 10 years (Koryagina, 2014; Kosobutskaya, Babaev, 2016; Babaev, Nikolaeva, 2018; Babaev B. & Babaev D., 2019, etc.).

Since the object of study is the regional economy (mesolevel), an important methodological principle is the system approach, which involves looking at the region as an integral open system, actively interacting with the system of a higher level (macroeconomy, megaeconomy), with various structures, relationships and links between elements, subjects, which, in turn, perform certain functions. Another property of the system should be called sustainability, self-preservation, as well as self-sufficiency and integrativeness.

The systemic approach implies the unity of the objective and subjective; the relationship between the theoretical and the applied; interaction of self-development (industry, complex, territory) and state regulation; the unity of historical and logical approaches; unity of natural, technical, economic, social processes.

The functioning of the system can be represented as a scheme:

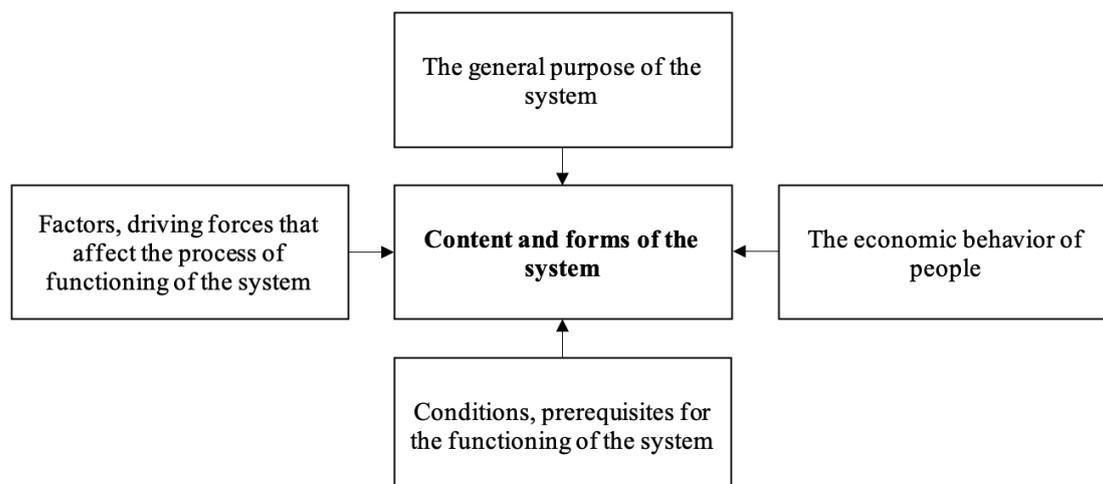


Figure 1. System operation mechanism

Source: composed by the author

Based on this understanding of the system and the mechanism of its operation, one can also consider issues of competitiveness of the regional economy.

Study

It is not the aim of this paper to expand in every respect the essence and manifestation of regional competitiveness. We want to draw attention to the key issues of this topic from a theoretical perspective.

If we talk about competitive advantages, then for any level of system, they are related to the resource potential and its use, i.e. the available opportunities. A region's competitiveness is often interpreted as «the productivity of using regional resources, mainly labour and capital, compared to other regions, which results in the value of the gross regional product (GRP) per capita and its dynamics» (Shekhovtseva, 2001). The resource potential within political economy leads to the problematic of reproduction, including regional reproduction. This involves investigating the conditions necessary for the continuous renewal of processes of both tangible and intangible production. It is important to take into account the unity of economic and social processes. The analysis of regional reproduction by stages (production, distribution, exchange and consumption) allows us to assess the achievability of the ultimate goal of economic development — increasing human well-being. Note that during the implementation of the research project «Theoretical and methodological foundations of an expanded understanding of the economic mechanism in the modern economy» in 2019-2020 with the financial support of the Russian Foundation for Basic Research, the research team proposed a six-stage scheme of social reproduction. Science and scientific service is considered a pre-production stage, followed by the four traditional stages (production, distribution, exchange and consumption), and finally «disposal of the result», i.e. the disposal of human industrial and domestic waste (Extended Concept, 2019) is added.

The topic of regional reproduction is relevant especially for Russia, which is a heterogeneous differentiated space. The researchers of economic space are V. V. Chekmarev, P. A. Minakir, A. N. Demyanenko, V. H. Ukrainskiy, A. I. Tatarkin, O. Ch. Tsyrenov, M. S. Astapenko et al. (Chekmarev, 2001, 2002; Minakir, 2011; 2017; Minakir, Demyanenko, 2010; 2012; Ukrainskiy, 2011; Tatarkin, 2008; Tsyrenov, 2012; Astapenko, 2018). Everything inside the country and its regions can be rightfully considered as an economic space (Pilyasov, Zamyatina, 2015). A number of Ural scientists develop such an approach to the regional level (Tatarkin, 2012; Tatarkin et al., 2012; Tatarkin, Lavrikova, 2015). The regional space as a part of the national and global economic space includes the spaces of the municipal and settlement levels.

Speaking about regional competitiveness, in our opinion, we should start with the study of the economic territory as an economic resource. Russia's territory has the most significant competitive advantage, which

has yet to fully realize its potential effects. This territory can be used as a kind of «bridge» between Europe and Asia, interaction between which is currently actively developing. There are many positive outcomes that can appear out of this. The very diversity of Russian territories, the multinationality of the peoples inhabiting these territories is also a great advantage to be realized. This concerns not only the tourist and recreational orientation of economic activity, but also the diversity of productions placed in these territories, taking into account the historically established traditions and cultural characteristics that influence the uniqueness of created goods and provided services.

Economic territory as a resource considered as a competitive advantage implies the study of such concepts as territorial location of production and population, land development, number and diversity of settlements, population density (this is related to the demographic factor of economic development), connectivity of territory, the development of the infrastructure (e.g., the development of road and transport network, road density, regularity of transport communication between settlements, sustainability of postal services), transit flows, investment (for the construction of roads, social facilities, to improve the quality of life of people in small settlements), the economic effects of using the territory as a resource. An important factor for increasing the efficiency is the exchange of goods between regions, labor migration, which affects the use of the territory in economic terms. The territories of advanced socio-economic development (ASED) with preferential taxation and administrative privileges, which Russia created to attract investment and accelerate economic development and improve people's lives, can be considered in the same way.

With regard to the Russian regions, which differ significantly from each other, in many of the above parameters of territorial competitiveness, there are problems leading to gaps in socio-economic space, when communication within regions is difficult, access to modern high-tech services is limited, «gaps» are formed (abandoned villages, economic objects such as cattle farms, uncultivated fields, empty idle enterprises, etc.). The regions of the country are increasingly differentiated by economic, environmental, and social indicators. This leads to an increase in centripetal processes (directed during the movement towards the center), when economic activity is concentrated in large cities, agglomerations, and the peripheral space is depopulated. There is both a natural decrease in population, when the mortality rate exceeds the birth rate, and an outflow of residents to more prosperous settlements and regions. The coronavirus pandemic in 2020, on the one hand, reduced migration flows (both internal and external) and, on the other hand, led to a significant increase in natural population decline. All this seriously complicated the demographic situation in the country and created additional threats to the integrity of the socio-economic space of the Russian economy. For example, Russian regions are experiencing a severe shortage of doctors and nursing staff — doctors left in droves to work in covidial hospitals in Moscow and St. Petersburg, where they were offered salaries several times higher than previously. This trend is confirmed by sectoral trade unions, mass migration of specialists is also confirmed by the data of Rosstat — mobilization of doctors and medical staff to work in hospitals in Moscow during the pandemic has significantly increased the outflow of personnel, especially from the regions closest to Moscow. Medical institutions in the Central Federal District lost almost 3,000 employees — doctors and nurses — in just a few months of 2020. The greatest loss of medical workers in the CFD is observed in the Tver, Smolensk, Vladimir, Ryazan, and Ivanovo regions. The Russian Duma insists on changing the system of doctors' payments, otherwise many specialists will never return to the regions. The shortage of doctors and nurses affects both the availability and the quality of medical care provided to the population. Even before the pandemic, the country lacked about 40,000 doctors and a lot more mid-level staff. The epidemic has led to hospitals in Russian regions being forced to employ undergraduates and residents. According to the Accounts Chamber of Russia, a number of regions was in the worst situation: Kurgan, Pskov, Vladimir, Tula, and Jewish Autonomous Regions, as well as the Chechen Republic (Medics are leaving en masse to work in the capital, 2021).

Russia's vast territories (both in latitude and longitude) pose a number of complicated demographic problems — the territories must be populated, but Russia has many undeveloped areas (with a population density of 5 people or less per sq km area is considered undeveloped), transport problems (transport lines, their maintenance, transport in large permafrost zones; water transport (use of rivers, lakes, seas for cargo and

passenger transportation). For many settlements remote from the center (the north of the country, Eastern Siberia, the south of the European part of the country, etc.) the issues of quality water supply, gas supply, reliable power supply are critical. For the country as a whole, waste management, etc. is an urgent issue.

Economic scientific literature, journalistic journals, Internet publications, social networks continue to discuss the prospects of depressed areas, including old industrial regions of the Upper Volga region, small towns, and rural settlements of these territories. It is widely known that a territory develops only when people live there, economic activity develops, business and authorities interact. At the same time, the presence of diverse enterprises and organizations is required to prevent the negative centripetal trend of concentration of economic activity in a certain number of large centers. It is necessary to regulate, limit these processes, taking into account not only the interests of large cities, but also the huge periphery. Here the topic of knowledge and the use of economic laws, as well as the choice of the most favorable development options, the formation of an adequate institutional environment becomes acute. It is necessary to redistribute resources in favor of the periphery by guaranteeing a significant share of the gross national product for the development of territories. In this case, one can expect an increase of regional competitiveness both on the scale of the national and global economies.

The strengthening of the center-periphery in the country's development, the reorientation of investment activity to the most developed areas, the stagnation of many small towns and villages, the sharp division of the country's regions into «rich» and «poor» can be considered as a discrepancy between institutional norms and the requirements of the law of proportionality and balance of social reproduction. This is manifested in the lack of a system of institutions adequate to the market realities of the Russian economy, ensuring the territorial balance of socio-economic development; the principle of systematic socio-economic policy, including regional policy.

Along with the vast territory of Russia as a competitive advantage, one cannot but mention natural resources in all their manifestations (subsoil, water, forests, flora, fauna, climate, etc.), which provide an opportunity to develop material production. As long as man exists in his present capacity, he will continue to have basic needs for food, clothing, shelter, transportation, and other material goods.

Speaking of natural resources, we should pay attention to deep processing of raw materials in Russia in order to export not raw materials, but a semi-product or a finished product with high added value. The development of industry (extractive, manufacturing), capital construction, the agricultural sector as part of material production is the foundation of development, which can ensure high competitiveness of the Russian economy only when relying on scientific research, technology corresponding to the sixth technological mode (according to Glazyev), highly qualified personnel. And high-tech manufacturing industry is a decisive factor in ensuring the competitiveness of Russian products on the domestic and global markets, improving living standards in the regions and in the country as a whole. The development of material production, and the manufacturing industry within it, is all the more urgent as Russia has to address import substitution to ensure national security under conditions of economic sanctions from other countries, as well as under the influence of the coronavirus pandemic. The Russian regions play a crucial role in this respect. And here success depends on the availability of labor resources of a certain quality in the region. We are talking about scientific, managerial, entrepreneurial personnel capable of proposing new ideas, conducting scientific research, carrying out R&D, translating them into real products and technologies, organizing new production projects. In this regard, attention should be paid to the opportunities for the development of «research and production complexes» and «science cities» in the regions.

The labour potential of Russia is considerable, amounting to about 75 million people. Although the unemployment rate in the country is relatively low, it is significantly behind the developed countries in terms of labor productivity (by 2-3 or more times). As a result, domestically manufactured products are not competitive in comparison with imported products. Western sanctions against Russia have played into the hands of domestic producers, as the share of their products in the supply of the population and the economy, such as food, has increased. One should also take into account the fact that the domestic Russian market is extremely capacious, its potential is far from being exhausted, so it is possible to develop import-substituting

production, focusing on the needs of Russian consumers.

In 2016, within the research project *Fundamental Problems of Regional Reproduction, Ways, Methods, and Mechanisms of Their Solution* with the financial support of the Russian Foundation for Basic Research, a team of scientists from Ivanovo State University studied the regional reproduction of the Upper Volga regions (Vladimir, Ivanovo, Kostroma, and Yaroslavl regions). The statistical analysis revealed the insufficiency of resources and factors of economic development of Ivanovo region, which led to the conclusion about inefficient use of natural potential and economic territory. Based on the analysis, it was noted that the region has demographic disproportions, problems in the use of labor resources of the region, in the structure of employment by sectors and types of economic activity, by urban and rural settlements. The research considered reproduction weaknesses of fixed assets through the state of capital equipment of enterprises in various industries, the degree of depreciation of funds, dynamics and structure of investment by types of funds, by territory of the region, changes in the structure of production, financial insolvency of many economic entities of the region. There is also an investigation into the road-spatial factor, which shows the degree of development of the territory of Ivanovo region. It is concluded that the intra-regional economic space is not used effectively, there is a significant asymmetry in the use of the economic territory (Babayev et al., 2017). All these problems complicate the task of ensuring the competitiveness of the Ivanovo region economy, which has been put into the category of depressed regions since the 1990s.

Considering the region as a socio-economic system, it should be emphasized that in comparison with the economy of the country, the region is a more open system (Babayev & Nikolaeva, 2018). This property of the regional economy significantly increases the importance of competitiveness of enterprises and complexes, regional products. An open economy in terms of production of goods and services cannot be regarded as self-sufficient, as it functions not only at the expense of its own resources, but also at the expense of attracting external resources as a result of involvement in the social division of labor. But in terms of value creation, development of commodity-money relations, the region's economy should be self-sufficient, i.e. be able to earn the necessary money for its existence and development taking into account financial interaction with the state. One of the significant obstacles in the Russian regional reproduction is the lack of self-sufficiency and self-development ability of the regions themselves and their municipal formations.

The urgent problem of Russian regions, including Ivanovo region, is the shortage of qualified personnel with specialized secondary and higher education, despite the fact that the region has a solid educational base (7 state universities, 5 branches, 19 colleges of various profiles concentrated mainly in the regional capital). Many graduates, as already noted, tend to leave for more prosperous regions of the country where they can earn higher wages. To resolve staffing issues of the Ivanovo region's production enterprises, in early 2021, the governor proposed to introduce the cluster approach in the vocational education. Clusters are to be formed out of large enterprises of consumer goods industry, mechanical engineering, agriculture as the main areas of regional economy and colleges that train specialists for these industries. Their joint task is to train specialists needed by specific enterprises, retrain teachers, supply equipment for training, develop educational programs, popularize specific specialties to attract students, etc. Assistance in meeting market staffing needs will be provided through state and regional support programs. In order to solve the set tasks, the local administration has established the Coordinating Council on Staffing for Industrial (Economic) Growth of the Region (the cluster approach will be implemented to train staff for the regional enterprises).

The competitiveness of products and services should be studied by looking at not only economic, but also social aspects, and from the position of a combination of market and competitive and public interests. In conditions of unsatisfied demand in the Russian local market, many domestic products (meat products, cheeses, textile and garment products, metal structures, and a host of other examples) find their buyers. And this fact must be taken into account. In addition, there are areas to which market efficiency criteria cannot be applied. For example, it is clear that a rural paramedic station is not competitive in comparison with a large regional clinic, but this does not mean that it should be declared ineffective and, therefore, closed, leaving people without medical care. The same applies to educational institutions. And in recent years, in many Russian settlements, social infrastructure facilities are not only stagnating, but also ceased to

exist as inefficient, incomplete. This is a major mistake for our vast spaces, because in the absence of social facilities, people leave the settlements, the area gradually falls into decay without population. If we talk about competition in the global market, of course, it is necessary to apply market criteria of efficiency, to change the situation in engineering, machine tools and a number of other high-tech industries, which for objective and subjective reasons over the past quarter century are seriously lagging behind foreign producers.

Other scientists note that the competitiveness of the territory is often interpreted through the share of markets that the region holds, ensuring the development of production and improving living standards on the basis of effective management. This view leads the researcher to the range of issues related to the interaction of market and state economic mechanism. At present, as already noted, Russia is facing the task of new industrialization based on modern high-tech industries, which objectively requires strengthening the role of the state in the economy as an active economic entity and as an institution. For a fuller realization of public interests, the state has to strengthen the planned principles to ensure the integrity and sustainability of the system, as well as an integrated approach to the strategic development of the country in both sectoral and territorial aspects.

Russia needs to exploit the competitive advantage in its country-wide and regional economy, thus, the speed of movement of goods and cargo (by road, rail, water transport), reliability and safety of transportation (there is a high accident rate, especially on highways), cargo safety, ease of use of vehicles and stations for passengers, affordability of services at prices and tariffs are of particular importance. Ensuring all these parameters requires substantial investments aimed at modernizing machine-building enterprises, developing modern transport models, developing the road transport network, especially in peripheral areas, and providing a variety of additional services for freight and passenger shippers, including insurance. The state needs to subsidize many transport services, as it does now for the inhabitants of the Far East on flights to the European part of the country, to avoid the threat of a rupture in economic space. After all, high transportation costs sharply reduce the competitiveness of domestic products compared to foreign counterparts. By developing the road network, creating the necessary transport, including specialized transport that will ensure the required capacity, the «connectivity» of the territory gets strengthened. This leads to further socialization of production, deepening of social division of labor.

Along with the topic of state subsidies, the problem of the development of market relations in geographically remote from the center is no less urgent. The development of the productive sector expands internal connections in the country's economy and leads to the domestic demand and domestic market. The conditions for self-development and self-financing of regions are provided this way. In addition, it is necessary to create an appropriate legal framework and coordinating structures (institutions) that will ensure a unified industrial and transport policy across the country as a whole.

Information technology plays an important role in today's environment. The coronavirus pandemic intensified activities in this direction, as it required almost universal use of information and communication technologies, the Internet, and the «digitization» of the economic, social, and cultural spheres. Videoconferencing has made it possible to promptly resolve many issues at various levels of the economy, moving towards the «virtualization of relations.» A common information space is being formed with these technologies, which gives a fundamentally new quality to the economy itself, primarily in terms of opportunities to manage it and achieve better results in economic activity.

It is useful to study and use the experience of other countries successfully promoting their products on the world market. Thus, after the World War II, Japanese state structures widely researched the world market, defining possible market niches for themselves, giving necessary orientation to their Japanese businesspeople. The state applied selective tax and credit incentives, selective control over the composition of competitors in priority industries (the automobile industry in the early '60s, robotics in the late '60s, etc.). In addition, entrepreneurship was also supported by public financing (allocation under the import payment limit in accordance with sectoral priorities; restricting the inflow of foreign capital investment, and encouraging the import of technology, supporting technical upgrading). Government control protected industry from outside competition at a stage when the Japanese economy was not yet competitive enough. In this case, we raise the

issue of coordinating the activities of related economic structures and processes, the managing centers that were developed, for example, in connection with the emergence of clusters or zones of advanced development.

Some scholars treat the regional economy as a cluster-like economy (Tatarkin, 2012; Tatarkin et al., 2012; Tatarkin, Lavrikova, 2015; Babayev et al., 2017). In the Russian history, the topic of economic complexes, territorial-production complexes has been relevant for more than a hundred years. The formation of intra-regional and inter-regional clusters is directly related to the functioning of the regional economy, because it involves both products and services. The parent enterprise (industry) acts as the core of the cluster, focused on the market, around which service and auxiliary economic activities develop. The relations within the cluster are built on a planned basis (tasks in terms of volume, production structure, and other properties). A peculiar intra-cluster market with its own prices and conditions of goods and services movement appears, bringing to the economy a certain regional regularity, the system of internal orders provides stability of functioning of the enterprises included in these complexes (clustering). Clustering creates development impulses, increases economic sustainability and product competitiveness. But as far as the cluster itself is concerned, let us also discuss its competitiveness.

The changes taking place in production, in the sectoral structure of the socio-economic system of the country lead to the need to develop systematic planning based on program-targeted management. This is reflected in the development and implementation of state target programs. The formation of macro-regions and territorial-production, scientific educational complexes (clusters) act as intermediate links in the development of planning at the interregional and inter-sectoral levels, which requires the coordination of interests of all parties involved.

Conclusion

The article touches upon only a small layer of topical issues related to regional competitiveness. That said, it is clear that this topic is far from exhausted, despite the rather large number of scientific studies on the subject. It is necessary to expand the view on competitiveness in the regional-spatial aspect, taking into account current trends in the development of theory and practice.

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