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Challenges of strong concentration in urbanization: the case of Moscow in Russia

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Abstract

Despite the fact that Russia has the largest territory in the world, Russian economy is one of the most centralized nowadays. Urbanization processes in the country was very unbalanced and led to the situation when all resources of the country are concentrated in one city – Moscow. The purpose of the paper is to analyze the results of the overconcentration of the urbanization process with the case of Moscow in Russia. The results prove that highly centralized urbanization process hampers sustainable development of the country. The results of the paper can be used for further discussions about proper balance in urbanization process.

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1. Introduction

Capital cities in many countries have the leading role in their national economies, especially in those countries that do not have very large territory. However, Russian case is rather unique as despite the largest territory among all countries concentration of the economy in just one city – its capital Moscow – is also one of the highest in the world. And there are not so many other cities and even regions that can compete with Moscow in Russia. Moreover Moscow prevalence in Russian economy hinders appearance and development of the new centers of economical development in other cities and regions. As a result, both national and international companies are attracted mainly to Moscow and the central regions of the country. However, the main vector of international cooperation and economic development nowadays is directed to Asian countries, especially China that requires new vibrant cities available to be the centers of economic development in the eastern regions of Russia. Moreover, the supposal that Moscow only wins in the situation of high dominance in the country economy is also illusive. Too high burden on capital city economy prevents sustainable development of Moscow itself as its infrastructure is overloaded.

The new geopolitical tendencies requires from Russia improvement of urbanization processes in the regions, especially in those ones located in the East of the country. However, the current system of Moscow-regions relationships is so strong and distortive in Russian economy that it cannot be changed just by tax and other economic incentives for companies in the remote regions. Significant improvement of urbanization process in Russia will require radical institutional changes from national public authorities, especially, changes in the role of the capital in the country.

In this paper the specific features of the current system of Moscow dominance in Russian economy and institutional environment are pinpointed. The negative consequences of capital prevalence for national and international business are analyzed. And, finally, the proposals about institutional changes in order stimulate attractive conditions for companies in Russian regions are made.

2. Moscow as the main center of economic development in Russia

Russian capital Moscow has the largest and dominating economy in the country followed far behind by other regions. Gross Regional Product (GRP) of Moscow amounts to 21.7% of the national GDP, while Moscow and Moscow region together count for 26.3% of Russian GDP. Several other Russian regions have advantages in development as a result of geographic location, significant natural resources or industrial and agricultural specialization. For example, Tyumen region takes the second place by GRP because of oil and gas resources. However, besides Moscow and Tyumen region, only 7 of 85 Russian regions have 2.0% or higher share in national GDP (Fig. 1a), while other regions have even smaller economies. While comparing Moscow economy with large groups of Russian regions – Federal Districts (FD) – one can find out that economy of the capital of the country is larger than the whole economy of each of the FD (Fig. 1b). The only exception is Central FD which includes Moscow itself. GRP of Central FD without Moscow is about 13.6% of national GDP that is 8.1 percentage points less than Moscow economy.

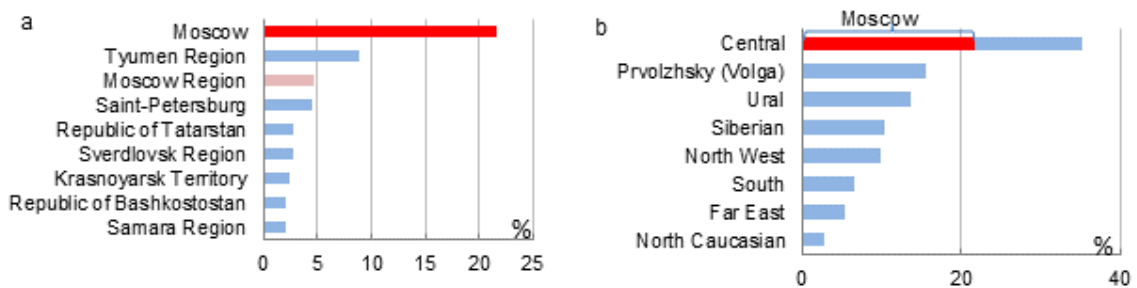


Fig. 1. (a) Russian regions with 2% or higher share in national GDP in 2014 in %, based on data of Russian Federal State Statistics Service (Rosstat); (b) Russian Federal Districts shares in national GDP in 2014 in %, based on Rosstat data.

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