

UDC 339.9

DOI: 10.17238/issn2221-2698.2016.22.43

## The index of happiness in the Arctic: index measurement and comparison of the dynamics of Arctic economies



© **Nikolai P. Zalyvskiy**, Professor, Doctor of Economics, Head of the Department for Economy at the Northern (Arctic) Federal University named after M.V. Lomonosov, Chairman of the regional branch of the Free Economic Society of Russia, Honored economist of the Russian Federation. E-mail: n.zalyvskiy@narfu.ru

**Abstract.** The author presented a systematic comparison and author's interpretation of the level and dynamics of social and economic processes in the Arctic countries using statistical indexes of various international institutions, scientific and educational institutions of the Western countries. The article is also focused on the circumstances affecting the change of Russia's place in the world rankings. The article is aimed at contributing to the adjustment of management of the Russian Federation as an institutional background of acceleration of its economic and social development aimed at achieving a worthy place in the world rankings.

**Keywords:** *Arctic countries, international indexes, country's ranking, leaders of the index, globalization, the place of Russia, dynamics of development, innovation, human development*

### ***Origins of the interest for statistical indexes reflecting the development of social institutes***

There are many problems in the scientific explanation of the macroeconomic policy and development of Russia. In our opinion, there is something that is hidden in the shadow of social attention. It is the reluctance of the political elite to appeal to geo-economic and geopolitical potential of Russia to determine its actual place in the global world, role in the life of human mankind. This unwillingness (artificial or unconscious) is called here a *civilizational rock* of the offered national economy strategies, *disadvantage of outlook reflected in predictive models* of medium- and long-term perspectives of Russia as the subject of global competition, and one of the leaders of the world economy and socio-cultural progress.

Motivated motive for retouching the measurement systems of the international community (indices and indicators) for the quantitative and qualitative evaluation is a very complex process, in my opinion, a kind of utilitarian one. The less you know, the better you sleep. In this case, it is handy for the political elite to manipulate the public consciousness. When citizens are not

aware of other statistics than governmental one, declared policy and its results, the shortage of objective knowledge. The train of public support is not difficult to transfer to the desired path.

At the same time the topic is not pioneering for the author. The right to inclusion (equalization) of districts and towns of the Arkhangelsk region to the Far North of Russia was proven by the the index methodology of ranking measuring the impact of socio-natural discomfort on population even in 1991—1993 [1, p. 164—183]. It is not new for the modern scientific and economic Russian practice. Politicians and leading specialists are increasingly turning to the indexation of the dynamics of socio-economic processes. In Russia dynamics of production, costs and retail prices are indexed. In order to assess the extravagance of the Russian authorities the technology of index comparison is also used.

This proves the pragmatic purpose and functional advantage of index for the quantitative measurement of the dynamics of the economy and almost any social process: the objectification of the comparative results of somebody's activity or even the development of a region. How is it achieved? Any index can fix changes in quantitative parameters of a process during selected period of time. The main requirements for such aa measurement is its information “completeness” and the adequacy of representation of inter-related components of sustainable development triad. A great number of well known international organizations and numerous research teams from different countries work in this directions. In order to achieve a clear coordination of the international measurement system is still not possible due to methodological problems, and also the latent motive to build the proposed set of geopolitical reasons for countries (regions).

One more thing should be pointed out to specificity the epistemological interest in the index methods of measuring the socio-economic dynamics. This interest is not equivalent. The ordinary citizen, the employee of scientific institutions, active participants of political processes have a very weak spark of attention to the indexes used by the country's statistical services. It is more simple to operate the percentages, or other use other measures. They are clear, and they do not require breaking the “head”, their meaning is easy to convey to the audience. Probably, the indices have one more “methodical” or “functional” defect. It is used to compare one process (sub-process) rather insignificant for most of the citizens. In addition, it has not been engaged politically and therefore does not affect the daily routine of a person and has no regard to his feelings.

The situation is different when the indices are a mirror of the perception of their country and its position in the world. Many citizens are nostalgic about the idea of Russia's geopolitical power status. And conscious curiosity about the information that outlines the present and the future of the country is greatly exacerbating the interest in technology, criteria and indicators for

international comparisons of Russia with other countries. Author considered it as an obligation to satisfy a portion of such interest. In particular, we defined a group of international indices that provide the most visible representation of the relationship between the ratings of Russia as a subject of global competition for a worthy place in the world. Also the information function of indexes is used, first of all, because it allows to compare the levels of development of the Arctic countries. So, this has become a fundamental scientific problem of this article that emphasize the status of the Arctic areas of Russia and some of their problems together with preventing potential possibilities of being the state with the significant economy for the rest of the world, and a community that critically inherited the world experience.

### ***What Arctic countries are leading in the world economy?***

Here a preface to the report about the possibility of international comparison should be. Comparison based on a single technology began after the transition to the use of SNA — system of national accounts. Today two SNA editions are in use. The United States, Canada, Ukraine and the 28 EU countries represent information in accordance with the new SNA-2008; Russia and other countries are working with the SNA-1993. It is also useful to know about the presence of at least three states-drafters of the rating, ie determination of their place in the world economy. These are the two international institutions — the World Bank and the International Monetary Fund, and the CIA. Consideration of quantitative and qualitative prerequisites for an answer to this geoeconomic question involves appeal to the size and dynamics of the GDP growth (Table 1), average GDP per capita in the Arctic countries (Table 2). Outside of these indicators their place in the global economy can not be clearly and precisely shown. It is also appropriate to emphasize involvement of the two largest Arctic countries — the US and Russia — in global contention. It was and it still remains a fixture of the principles (motives) of geopolitical strategies in the Arctic, as well as the motive of the desire to be a leader in the international community. Data of the subsequent tables scans potential for it.

First of all, according to the data shows the trends in the absolute volume of GDP in the Arctic states for the years 1900-2014. Secondly, the disproportion of the national economies of Russia and the United States is unambiguous. The potential of the Russian economy is almost five times less than the US and it is negligible (approximately 3%) for the global economy. US or China can produce about 15—17% of the world product.

Table 1

*GDP in the Arctic countries according to the World Bank (bln. dollars. US PPP)*









Year Country (place)	1900	1950	1970	1990	2000	2012	2013	2014
USA (2)	475	2,175	4,340	7,475	10,284,8	16,163	16,768	17,419
Canada (15)	34	140	350	680	908,1	1,469	1,513	1,565
Denmark (57)	11	36	79	120	11,4	244	246	-
Finnland (62)	6	25	55	109	141,7	218.	217	217
Norway (49)	6	29	65	92	209,2	333	333	333
Sweden (41)	20	56	123	180	259,9	418	429	437
<b>Russia (5)</b>	<b>150</b>	<b>525</b>	<b>1555</b>	<b>2 010</b>	<b>1,530.6</b>	<b>3 446</b>	<b>3,592</b>	<b>3,745</b>
Iceland				4.8	7.6	12.7	13.1	13.9
All the world	2,590	7,555	19,270	36,055	48,575	-	-	-

This circumstance is a system precondition to solve the problem and to keep Russia's fifth place in the global economics, which it has today. However, the passionate nature of Russian society stimulates the reasonable grounds for Russia to prove the possibility to enter the leading trio in the distant future and to become one of the most important centers of the multipolar world. In my opinion, futurological prospect of Russia to be on top is a historical obligation and prove of the inherited power of the USSR as the second leading nation in the world. More on that issue has been said earlier [2, p. 55—65]. Here I limit myself by the thought that the inability of the state to provide a high quality of life of Russians reduces humanitarian component of its economic ideas and Russian economic leadership.

However, the tale soon develops, and the case could be argued at the self-critical recognition of the objective impossibility of Russia to be the first in the world due to the fact that the structure of these centers is dramatically updated every 50—70 years. Moment of another tectonic shift of geo-economics and geo-politics is witnessed by its contemporaries. In 2014 the first economy in the world was **China** (18 bln. USD) acknowledged by the World Bank, the IMF and the CIA. Some more places in this rating: 3<sup>rd</sup> — India (7,3 bln USD), 4<sup>th</sup> — Japan (4,6 bln USD), 5<sup>th</sup> or 6<sup>th</sup> — the Russian Federation. We should not bother with the historically low 3<sup>rd</sup> —5<sup>th</sup> places of Russia in the GDP ratings. This objective law could not be eliminated even by the high-tech economy because of too contrasting demographic resources of China, India and the USA. The fundamental importance of the Russian Federation has a dynamic movement along the other way of the socio-economic development. I am referring to a course on leadership in GDP per capita. This macroeconomic indicators (*Table 2*) most accurately describe the level of economic development and the dynamics of economic growth of the Arctic states.

Table 2

*Averal GDP of the Arctic countries and purchasing power per capita (ths. doll.)*

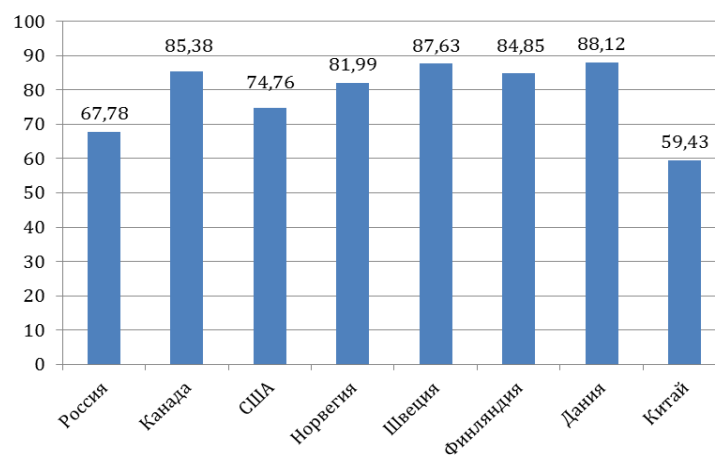
World Rating	Country	2012	2013	2014
6	 Norway	66,363	65,640	64,893
?	 USA	51,457	52,980	54,629
16	 Sweden	43,869	45,144	45,144
17	 Danmark	43,560	43,782	44,863
18	 Canada	42,281	43,033	44,089
21	 Iceland	40,607	43,393	43,393
23	 Finnland	40,209	39,869	39,754
32	 Russia	24,063	25,033	25,636
174	All the world	14,021	14,517	15,048
175	OECD	37,122	37,834	38,817
176	EU	34,936	35,338	36,244

A look at this table creates optimism and scientific restraint. Not long ago the Russian Federation had a place in the fifth dozen of states and it was caused by the dramatic events that had happened earlier (1991—1998), degradation of the productive forces created during the Soviet period. Movement on the scale up and being a head of the world average, of course they please, but their dynamics is depressing. Russia's GDP per capita is the lowest among the Arctic states. This weight gap "binds" us to the thesis of impossibility of having the amought bread on our and a patriotic pride for being the most advanced economy of the world in our soul. And noone takes away the right to become a contender for the best global trend for long-exponent of GDP per capita. *What is the probability of Russia's hegemony in this area?* It will be determined by the geopolitical model (schemes, targets) of cooperation between Russia and global economy. In my opinion, the existing two areas of the world economy the United States are the leaders: the core concentration of production and turnover of financial capital; China is leading in production. These two states are the leading actors of the world economy [3, pp. 126—128].

Yet it should not be a run into the history of the world beyond the actual potential of China's influence on the global economic workshop. There is another approach to comparison of the global aspects. This is an *Index of Globalization* (KOF Index of Globalization), created in 2002 by the Swiss Economic Institute, with the participation of the Swiss Federal Institute of Technology. This index represents the sum of the components with coefficient of 36%, 39% and 25%.

Index is positioned as a composite indicator to assess the extent of integration of any country in the world, the comparison of different countries on three components. *First of all*, for economic globalization (approx. 36%), concrete volume of international trade (about 19% of GDP), activity of the international business, the value of trade flows and international investments. *Secondly*, social globalization: the percentage of the foreign population, international tourism (about 26%), the vol-

ume of telephone traffic, mail, cross-border money transfers, the number of domains in the Internet, and etc. *Third*, the political globalization of the state: the level of representation in international organizations and participation in international missions; involvement in the international agreements (for example, 25% of the existing ones). All countries surveyed by KOF Swiss Economic Institute were put in the Index of Globalization rating, which indicates their place among the other countries studied. Each country after analysis on 24 indicators of the Index of Globalization is able to self assessment of its own degree of integration into the global order. The spread of this index for the Arctic countries (*Pic. 1*) is small, but China (index of 59.43 and 73<sup>rd</sup> place in the rating) has a lower level of globalization than the Russia with its index of 67.78 and 48<sup>th</sup> place in the world ranking.



Picture 1. Globalization dynamics in the Arctic states  
(Russia, Canada, USA, Norway, Sweden, Finland, Denmark, China)

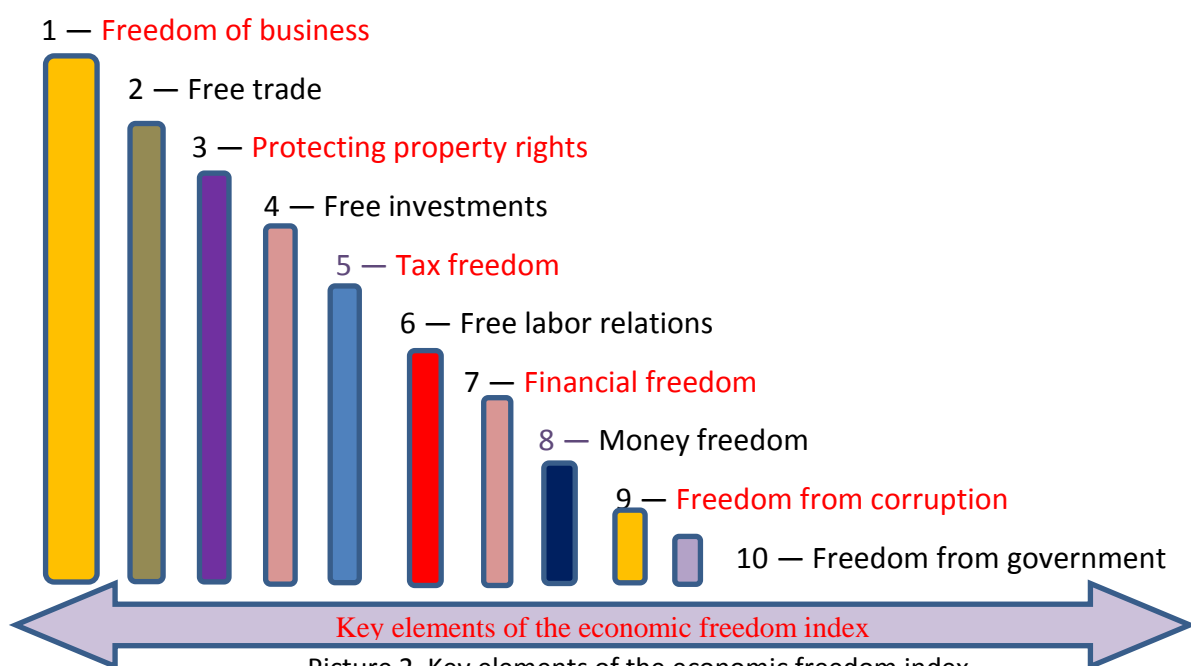
It is needless to say that the Arctic countries see both positive and negative effects of globalization. For example, the restriction of national sovereignty, integration of national economy, culture, technology and governance. It is important to focus on the scientific and practical interest of the international community to measure the economic, social, cultural and political dimensions of globalization. But Russia is not that unprepared. Russian society combines the ideas of civilizational destiny of Russia. They can be intelligent and become a constructive for creating social institutions, materializing the criteria and principles of a fair and harmonious organization of human life. Russia has the potential for such a mission in the world. It is necessary to prevent similar idealization among the public. Then we can give a creative answer to the demands of the Russian civilization, to the challenges of the global world, but there will be a dilemma in the global competition of civilizations. The past — that's what it was (for example, the historical Russian failures). The future — that it is necessary to create. Its path for Russia could not be felt, and perhaps it is illusory, but the world often needs even an illusion now, so as not to regret it in the distant future. We value a paradigm that the geopolitical role of Russia is not to search for loyal allies, but the ability to create Russian society, an example of which forms its geopolitical and socio-cultural authority and national respect. This goal is

not ordered and if the Russian reformers actually released the public mood of the “pink” representations of the results of their activity. After all, the rhetorical repetition of a strong social policy of the state is unlikely to prevent the destruction of human potential, optimize conditions for compressed development [4, pp. 298—299], not to mention the construction of a reliable barrier to the country's process of slipping technological backwater. Below, revealing the nature of the international index of economic freedom and global innovation, the author will look at such a distance from various types of threats for Russia and the Arctic countries.

***Economic freedom and innovation — fundamental prerequisites  
for technological modernization of the economies of the Arctic***

Just to emphasize, in terms of business comparisons models a special role is devoted to the economic freedom index (EFI). It was founded by the intellectual center of the Heritage Foundation [5]. In essence, this index is equivalent to a sign of quality of the market systems. Such certification is supported for synthesizing of the following ten indicators (*pic. 2*).

This index is annually printed in the Wall Street Journal. When ranking states are placed in groups, taking into account the following criteria of economic freedom: free states with index of 80—100; mostly free states with the index of 70—79.9; moderately free states with index of 60—69.9; mostly unfree states with index of 50—59.9; heavy-handed states with the index of 0—49.9. This basic set of elements of index characterizes the quality of conditions for business activities in the market of the country. If they are favorable for informal activity of market agents and the institution of private property and state regulation policy do not hinder economic growth and development of nations. Naturally, our attention is directed to the comparison of Russia's position regarding the other Arctic countries.



Picture 2. Key elements of the economic freedom index

It is the most important for us to get the truth, and arguments for the adequate conclusions: Russia is not brilliant in case of institutions of economic freedom in a group of Arctic states or in a group of industrialized nations. Its 139<sup>th</sup> place (2010—2011) let 10 former USSR countries be ahead: the former Soviet republics (for example, Armenia, Kyrgyzstan and Kazakhstan). In 2015 the rating fell to 142<sup>nd</sup> place (index of 52.1), lower than even Mongolia and all the BRICS countries. In Russia, compared with Canada (6<sup>th</sup> place), Denmark (11<sup>th</sup> place) and the United States (12<sup>th</sup> place), property rights indicators, freedom from corruption and freedom of investment and financial freedom are three times worse. These countries with EFI more than 76 are in a group of economically free (mostly) countries. The group also includes Sweden and Finland and Russia is positioned in the group of “mostly unfree” countries [5].

No coincidence that Russian President Vladimir Putin visited interregional public forum in Stavropol (January 2016) and stressed the urgency of efforts to expand economic freedom in the country as an essential condition to optimize business and investment climate. Positive issue is that: Russian Federation seeks to study the practice of Hong Kong and Singapore — recognized leaders in economic freedom in 2009—2015. This makes us sure that we'll get the implementation of the necessary institutional steps, expanding the corridors of economic freedom for the subjects of business activities. In Russia, there are, in comparison to its neighbors Norway and Sweden, the leadership in *the index for the freedom of labor* (almost 60). It is better than in Canada, the United States and other Arctic countries, Russia's rating (57.8) on *the participation of the government in the economy* is also high.

We are now turning to **the Global Innovation Index** (GII) of the North and the Arctic. The project for the creation and use of GII Implemented Cornell University (USA), a business school Insead (France) and the World Organization of Intellectual Property (WIPO). The French school has proposed a methodology for calculating the composite index of innovations. It reflects the full range of indicators of innovative development of all countries of the world, including 80 different variables. They are differentiated into two groups. One of them describes the resources and conditions for innovation (including institutions, human capital and research, infrastructure, development on the internal market; business development, and others). The second group captures achieved practical results of the innovation. First of all, the development of technology and economic knowledge, the results of creative activity for innovative renewal of economic countries.

Innovation is the basis of economic development, a source of productivity growth of modern economy of the Arctic countries and the entire world economy. Global Innovation Index, published annually since 2007, is the statistical basis for an objective assessment of the effectiveness



of the efforts of any country for the development of innovation cluster of economy, as it shows the ratio of national expenses on innovation and macroeconomic impact of their use. The rating of 2014 (Table 3) shows the existence of a direct dynamics of the GDP of these countries to scale-diffusion of innovative technologies. The more economic freedom of business activity, the higher is the national innovation index and the faster growing is the competitiveness of the country in the global market.

Table 3

*Rating of the Northern countries by the innovation index, 2014.*

Rating	Country	INDEX
<b>3</b>	<b>Sweden</b>	<b>62.3</b>
4	Finnland	60.7
6	USA	60.1
8	Danmark	57.5
12	Canada	56.1
14	Norway	55.6
19	Iceland	54.1
<b>49</b>	<b>Russia</b>	<b>39.1</b>

The world leader in innovative potential are the Nordic countries (in this case, Sweden), where the value of spendings on research and development is more than 3% of GDP. Others, including “Big Eight”, except for the US and UK, are losing in innovations and the commercialization of science, volume of research funding in the sphere of high technologies, and they also have relatively outdated and less flexible tax legislation and development of high-tech industries. In Russia there is an innovative progress, and now Russia is on the 49<sup>th</sup> position in the international ranking, which is significantly higher than in 2013 (62<sup>nd</sup> place). However, Russia is not only outside the compact similarities with its neighbors in the Arctic, but it is also behind the post-socialist and post-Soviet states, including Ukraine.

This is the historical consequence of the delayed transformation of the national economic, science and education, the transition to the innovative business model of market economics. A forum of small business has been recently held in Moscow (January 2016). Its participants outlined the main barriers to the expansion of the freedom of economy, which is required for borrowing of technological innovations in case of a limited access to external investment. But this process goes on more slowly than the reduction of historical time required for the formation of the sustainable competitive positioning of Russia in the global economy.

The presence of *a Competitiveness Index* (in the version of World Economic Forum), published annually in the form of “Global report on competitiveness” for 117 economies in the world; it is a signal to the diagnosis of the systems failures in national economic strategy. Moreover, that

analysis could be done on indicators of technological development of the country or state of civil society and macroeconomic environment.

Global Competitiveness Index (GCI) for 2013—2014 indicates a shift-up national achievements in all Arctic countries, except for Russia. So, third place is kept by Finland (5.54). United States (5.48) and Sweden (5.48) do not come out of the leading dozen, and even Americans moved from the 7<sup>th</sup> to the 5<sup>th</sup> place. Norway with an index of 5.33 is on the 11<sup>th</sup> place, Canada (5.20) — 14<sup>th</sup> place and Denmark (5.18) — 15<sup>th</sup> place.

Large emerging BRICS economies are also showing a high-performance. China (index of 4.84 and the 29<sup>th</sup> place) continues to lead the group. Although Russia has strengthened its position (moved from the 67<sup>th</sup> place to the 64<sup>th</sup>), but the it still shows up the least competitiveness among the countries of the BRICS group (Brazil — 56<sup>th</sup> place, India — 60<sup>th</sup> place). Its neighbors — Hungary (63<sup>th</sup> place) and Sri Lanka (65<sup>th</sup>).

*What could hinder the rise of Russia's to the top ten leaders of the GCI?* It has always been a problem: low efficiency of state institutions. In one phrase: army of officials, which is “fed” by the taxpayers. This army has no or it has too insufficient practice to stimulate the growth of the innovation potential and the development of markets; plus weak antitrust policy tools employed to enhance competition in goods and services markets, it lacks of trust among investors.

*Stagnation phase for Russia* enters the 2017—2018. If there is no GDP growth at least 1—1.5%, this will confirm the inability of the existing state managers to hold the innovative modernization of the Russian economy. In the shade of this social irresponsibility of large and medium-sized businesses is covered. It still tends to be unproductive self-investment (buying yachts, planes, foreign estates, and other marginal queries). Initiation of investing in the real economy, innovation and technology comes with a large scratch.

Probably, the imposed and reproducible functioning liberal model of the national economy is not that orbit, according to which Russia should fly to its economic future. Getting off it, in my opinion, interfere with two stereotype conceptual errors. *First one* is the thoughtless incorporation of Western way of transforming the economy, while ignoring the fact that the Western partners in the economic globalization will retain European values: the right to apply double standards towards Russia. Sanctions regime is a “long-playing” record for derogatory unification of Russia under US and EU criteria.

*Second one* is the fact that the Russian political elite admires Western estimates and teachings, some semblance of public prosecutor mentoring, that, following A.Toynbee idea, is striking narrowing of the historical outlook of Russian citizens to the automatic worship for one model of

historical perspective — the western economic system. Apparently, a decisive move over the “in-difference to the spontaneous market” model to the social model of “welfare for all” is inevitably on the agenda.

This policy is evident when observing the dynamics of the fall in real income of households in 2015—2016, that exceeded the figures the 1998 default. Instead of creating an economy for the elite Russia needs socially justifiable differentiation of incomes to maintain a decent quality of life. There should be no splitting of political morality, when the tops are trying to improve the real incomes of people and employers (including those in the public sector) reduce the total payments to staff while increasing the intensity of labor.

I am convinced that overcoming the defects of governance will expand mental motivation to convert internal moral consciousness of the Russian people in the intellectual engine of innovation, historically significant, breakthrough for the economy of Russia to the big leagues on most of international indices. Precondition for it is lowering the degree of social tension in Russian society, diagnosable by indices, which are discussed below.

#### ***Indices that help to understand internal spring (problems) of economic growth***

Among these functional indeces is a group of social indices of measurement, namely the sustainability and stability of the society, the social index, based on knowledge. As it is known, in 2016 it was proclaimed the Year of the Environment. For reference, we note that the international community also has a corresponding ESI index — ***Environmental Sustainability Index***. The index measures the state of the environment and management of natural resources on the basis of 22 indicators in 10 categories. Information for this index has been calculated since 2006 by the Center for Environmental Law and Policy of the University of Yale (USA) for 146 countries. In 2014, the review included 178 countries.

Using the ESI index let us define the position of the Arctic countries on the organization of complex environmental measures as safety factors of their socio-economic development. Sweden (78.09), Norway (78.04), Denmark (76.92) and Iceland (76.50) are on top of the list of Arctic countries as the most advanced, taking the 9<sup>th</sup>, the 10<sup>th</sup>, 13<sup>th</sup> and 14<sup>th</sup> place in the world rating. Finland (75.72) and Canada (73.14) with their 18<sup>th</sup> and 24<sup>th</sup> places are separated from the 33<sup>rd</sup> place of the US (67.52). Russia's 73<sup>rd</sup> place, not far from Moldova, an outsider by the ESI. As you can see, the “Big Eight” country's also did not belong to the world leaders in the protection of environment and have a fairly mediocre ESI-value index, although a few years ago Canada was in the top ten of environmentally advanced countries. Taking into account that the ESI index ESI is symbolizing the ability of countries to protect the environment, social and institutional capacity of the country to

respond the environmental challenges, we can be objectively constative of other priorities in the strategies of economic development and growth. This dominance for increased GDP through intensive enough, sometimes means exploitation of natural resources with a condescending attitude to environmental protection.

Valuable and very useful information for the reader is accumulated by the *Sustainable Society Index*. It helps to assess the stability of the social development of countries and regions. Methodology for the calculation was proposed by Sustainable Society Foundation after the initiative of the Dutch researchers Geurt van de Kerk and Arthur Manuel in 2006. The Foundation publishes a report every two years. The essence of the concept of “sustainability of society” (Sustainable Society) consists of three basic components: *economic; social and ecological*. The only problem is that the indicators measure them harmoniously tie in the one integral index. The index measures a country's achievements on sustainability of social development in a scale from 0 (the lowest degree) to 10 (the highest degree) on the basis of 24 indicators in the context of the three components. In 2012, the study covered 151 countries<sup>1</sup>. Result for the Arctic countries look as follows (Table 4):

Table 4

<u>World Sustainability Rating</u> Sustainable Society Foundation. The 2012 Sustainable Society Index					
rating	country	wealfare of a man	ecological wealfare	economic wealfare	index
	Averal	6.59	4.57	3.96	4.8
1	Switzerland	9.08	5.36	8.63	7.36
2	Sweden	9.41	4.2	8.26	6.73
5	Norway	9.44	3.7	8.05	6.38
8	Finnland	9.4	3.43	7.53	6.09
106	<b>Russia</b>	7.05	2.64	4.39	4.33
111	Canada	8.93	2.21	3.92	4.31
116	USA	8.22	2.71	3.05	4.23

<sup>1</sup> Рейтинг стран мира по уровню устойчивости общества. Гуманитарная энциклопедия / Центр гуманитарных технологий. 10.12.2010 (Updated: 10 April 2015). URL: <http://gtmarket.ru/ratings/sustainable-society-index/info> (Accessed: 30 January 2016).

Paradoxically, this index shows that Russia and the United States are more similar to each other because the two contenders for global leadership do not have too much propaganda gunpowder to prove God's chosen role of its people in parts of the proposal (sometimes imposing) a social model to other nations. Here it should be noted a the specifics of the scatter for indicators of economic and environmental well-being. Unfortunately, low well-being indicator confirms absence of harmoy in Russian society, tension and aggressiveness of individuals. We call these phenomena are an example of the deficit of funds for adequate social development of our country. In order to enhance the tone of this statement is evidence that *Russia is on the 136<sup>th</sup> place among 191 countries — members of the UN on the index of the uneven distribution of social and material goods* (GINI Index 45.62).

Such a high index of inequality is an indicator of high internal tension between different social groups and strata of society. *On the one hand*, it shows “when the intellect and moral motivation of ordinary citizens have already been above the intellect and moral cynicism of those who metes out their subsistence minimum”<sup>2</sup>. The continued presence of this imbalance creates sociocultural oncology of the society — enhanced motivation for people's indifference to the innovative solutions of social and economic problems of Russia. *On the other*, it comes in a confrontation to the criteria of social progress. Lowing their role during the preceding stages of the history of the country is a shadow defect of economic policies as a communist one, and contemporary elite.

The historical paradox of the United States, Russia, its northern and Arctic neighbors confirms this argument: in the XX century and the beginning of the XXI century northern neighbors took the leading position, even in case of the dynamic development of the rest of the world; The United States were continuously opening its reserves and retained economic dominance in the world; Japan tripled its economy; China has become the first economy in the world. Only Russia doubled the reduction of the share in world production. In order to improve the situation with the GDP the per capita and be closer to the not that developed European countries (Portugal, Spain) it is needed to change the paradigm of social relationship to the reserves of society, human capita and itsl accumulation. Without the moral health of the Russian people it is umpossible to sublimate motivational potential of millions of Russians in an innovative breakthrough to the historical success of the Russian economy in the global competition.

*Leading countries (Sweden, Norway, Finland)* as it is shown in Table 4, are not superstates with the dominant ideologies and economies. But the data clearly indicates that the basic industries of these countries produce at the expense of a considerable part of the intellectual and high technologi-

<sup>2</sup> Zalyvskij N.P. Novaya etika otnosheniya k cheloveku (rabotniku) neobhodima kak vozduh dlya innovacionnoj modernizacii severo-arkticheskoy ekonomiki i socialnogo optimizma naseleniya / Nashe glavnoe namerenie zdes prostiraetsya. M.V. Lomonosov i Arktika: sb. nauch. st. Arkhangelsk, 2012. 196 p.

cal work. These countries are the world leaders in environmental measurement indices, the index of competitiveness and society index based on knowledge. They are very active in innovation. Consequently, they are successful in sustaining the model of “*ecological economics*” and “*knowledge economy*”. Now, it is subject not only to the mass production of new knowledge, but also the “ecosystem” of goods and services. Their strategic approach to the choice of the productive factor of development is social capital. Three groups of indicators convincing approximation of these countries to a higher form of society based on knowledge (*smart models — smart society*).

This is appropriate to disclose the nature of the *society index, based on a knowledge* (knowledge-based society), or K-society. It was developed by the United Nations Department of Economic and Social Development — UNDESA. This index includes three indicators: *the intellectual assets of the company; prospects of development of the society; quality of the development of society*. Each indicator is generated using 15 sets of data about the youth education and information, the investment climate in the country, the level of corruption, inequality of the distribution of material and social benefits (GINI-index), the level of infant mortality, etc. These indicators are, of course, measured in different units, therefore they lead to a uniform range of changes from 0 to 1. The worst values are closer to 0, the best — to 1. In 2005 the UN identified 45 best countries of the world on index of K-society among 191 of UN members. The top five countries with the highest rating, except for Switzerland, were the Arctic countries: *Sweden, Denmark, Norway and Finland*.

It remains for us to conclude that *the possession of significant natural resources that Russia has*, loses its priority *during the construction of a society based on knowledge*. The accumulated wealth of the country, measured volumes of GDP per capita, by contrast, are positively correlated with the ability to develop K-society. However, let us turn to the first two tables, which will return us to pessimism, because: a) on these criteria the Russian Federation is too seriously left behind the leaders of knowledge-based societies; b) Russia and China are not even among the top 45 countries in terms of development of the K-Society. For your information we mention the rest of the countries. According to the index of K-society, the United States has 12<sup>th</sup> place and Canada had 14<sup>th</sup>. In other words, the accumulated wealth of the leading states widens the distance between the knowledge of the “how to act” and “how to co-exist”.

#### ***On the national achievements of the Arctic states in the implementation of human development policies***

It is measured by the *Human Development Index* (HDI) proposed by Pakistani economist Mahbub ul-Haq in 1990. This index is an alternative indicator of social progress. Why? A new concept of assessment for states appeared. Part of it was the lack of recognition of economic indicators (such

as the national income, as it was practiced for a long time) and the possibility of measuring the dynamics of social processes. According to annual estimates of the UN experts and independent international governmental experts, the world was ranked in four categories: countries with a very high HDI; countries with a high HDI; countries with a medium HDI; countries with a low HDI. Every year, the UN presented reports on human development. According to them, a few years ago a vector of dynamics and tendency of socio-economic development of the states had been built; innovators identified as well as the losers of social progress. The need for international comparison of data from national statistical offices (over 180 countries) lead to the delay of the UN report on human development for two years. In this regard, the report prepared by the UN Programme «Human Development Report» came out in 2014 and the HDI covered the results for 2012—2013. It presented information on 187 countries and territories. The report also has some more information on 8 countries that are not included in the rating due to doubts about the reliability of statistical data [6].

In the context of this article we are interested in indicators of the HDI for Arctic countries in 2014 (*Table 5*). The result of cross-country analysis of the HDI is unequivocal on the conclusion: Norway firmly holds the rating of national achievements. It was on top of it in 2001—2006. Then, it gave the leadership away to Iceland and in 2008 returned the position back and it continues to lead so far. Norway's HDI is 0,944. Other Arctic countries have settled on the next steps of the world ranking [6].

*Table 5*

*Human development index in the Arctic states*

Rating	Country	Human development index
1	Norway	0.944
5	USA	0.914
8	Canada	0.902
10	Danmark	0.900
12	Sweden	0.898
13	Iceland	0.895
24	Finnland	0.879
57	Russia	0.778

The HDI is not accidentally called a synonymous to some very important definitions, such as “living standart” and “quality of life”. This is largely determined by the fact that the component of the numerical values of the index are in the range from 0 to 1 and it is also a the GDP value per capita in US dollars at purchasing power parity (PPP). This is one of the criteria of differentiation of levels of living in the Arctic. *What does the HDI relevant to a country reflects?* Integral achievement in health promotion and development of education, increase the actual income of its citizens. The higher is the HDI, the more favorable are the conditions for the economic growth of the Arctic regions, the greater is the po-

tential of their national economies. The longevity (life expectancy) perceived a sign of health, and level of literacy in conjunction with the coverage ration — with the access to education.

Now briefly about the vector of socio-economic transformation in the Arctic world. The HDI 2014 shows progress and the specifics of development trends in individual states. For example, in 2005 and 2014 data confirmed the rating leader of the Norway as the most prosperous country in the world and the smallest HDI among Arctic states was Russian (57<sup>th</sup> place in the ranking). Sustained high position was occupied by Denmark, Sweden and Iceland. These countries are in the top-category, they are characterized by a high level of socialization of market economy. Since 2005 the US rose to the 10<sup>th</sup> position, surpassing Canada at this point. A bit worse position was taken by Finland. This is the average level of development. The level of human development continues to grow, but the pace of increase is reduced in all regions of the world, and the progress of individual countries is rather unstable.

However, this particular piece of Russian practice of the HDI, which values in the Arctic regions are indicators of the UNDP old methodology due to lack of statistical measurements and the average expectancy of studies, take into account the macroeconomic situation in 2010. In the regions of the Far North (Magadan and Murmansk Regions, the Republic of Komi) better HDI dynamics associated with a statistical reason is observed. In cross-country comparison of GDP per capita, as well as inter-regional GDP in Russia, the dynamics of population growth or reduce is essential. The reduction of the population — this tendency is almost dominant in the Arctic regions of Russia. In one way or another, this process distorts the HDI in the Arctic areas of Russia (*Table 6*).

*Table 6*

*Human Development Index in the 7 Arctic and Northern areas of Russia in 2013*

Area	1 GDP	2 income	3 years	4 Living rate index	5 %	6 %	7 Educa- tional index	HDI	Rating
Russia	19,674	0.882	68.83	0.731	99.7	0.755	0.916	0.843	
1.Tumen Region	60,363	1.000	69.72	0.745	99.7	0.755	0.916	0.887	3
2. Krasnoyarsky Kray	27,100	0.935	67.76	0.713	99.6	0.754	0.915	0.854	7
3.Komi Republic	24,836	0.920	67.20	0.703	99.7	0.813	0.936	0.853	8
4.Republic of Sakha (Yakutia)	23,570	0.912	66.78	0.696	99.6	0.780	0.924	0.844	10
5.Arkhangel'sk Region	19,243	0.878	67.86	0.714	99.8	0.756	0.917	0.836	16
6.Murmansk Region	17,413	0.861	68.42	0.724	99.8	0.728	0.908	0.831	21



7. Republic of Karelia	14,464	0.830	66.87	0.698	99.7	0.793	0.929	0.819	36
------------------------	--------	-------	-------	-------	------	-------	-------	-------	----

*Note: Legend of columns: 1. Real GDP per capita (per capita in US dollars at purchasing power parity). 2. Income Index. 3. Life expectancy, years. 4. Longevity Index. 5. Literacy, as a percentage. 6. The proportion of students aged 7-24 years, as a percentage. 7. The index of education. Reflects the dynamics of the seven socio-economic processes, which have become the basis for calculating the HDI, for the 71 subjects of the Russian Federation. Moscow (HDI = 0,984) and St. Petersburg (HDI = 0,969), of course, they lead in the national ranking of the HDI.*

### ***Happiness is created by states able to love humans, who are working hard for their wellbeing***

It's time to move on to issues of concern to all of humanity and every individual (family) in particular. Conceptually, the understanding and solution of this problem requires an answer to two questions. *What is happiness? Who lives well or happily in the Arctic world (in Russia)?* Appeal to the index of happiness in the Arctic countries opens the way to answering the questions or to the knowledge of the old truth that happiness is run all over the world by those who do not like the charter of their house, that is, the mental freedom or creative self-realization in their own country.

The methodology of calculation of the index was proposed by the research center of the New Economic Foundation (UK) in collaboration with the environmental organization Friends of the Earth, the humanitarian organization World Development Movement. The definition of the index involves independent international experts as well. The first rating of happiness was measured in 2006, then in 2009 and in 2012 by the UN order and on behalf of the national statistical governmental institutions and international organizations.

There is also an international project "Network solutions for sustainable development" (Columbia University, USA), which analysts make the world ranking by happiness. The authors of the project are keen to show potentials and ways the world and individual regions use to provide its residents a happy life. The first similar rating (April 2012) was confined to the United Nations Conference on Happiness. The table 7 shows figures for both comparison methods. In 2015, Switzerland was named the happiest country in the world out of 158 countries by Americans (in 2013 — Denmark) [7].

*Table 7*

#### ***Arctic states and the index of happiness***

Country	Index of happiness	Rating
Norway	51.429 / 7.522	29 /4
Sweden	46.172/ 7.364	52 /8
Canada	43.560 / 7.427	65 /5
Finland	42.687 / 7.406	70 /6
Iceland	40.155 / 7.561	88 /2
USA	37.340 / 7.119	105 /15
Denmark	36.612 / 7.527	110 /3
Russia	34.518 / 5.716	122 /64

*What do the indices and ratings of the happiest countries reflect?* First of all, it is the dynamics and feelings of happy life among the residents of different countries of the world. For scientists it

is an opportunity to identify the relationship between economic growth and the degree of satisfaction from the welfare and living conditions of the countries. The uindex is a combined rate, comprising measuring the level of employment, the quality of the social services, life expectancy, the environment, freedom of decision, the generosity of people and the extent of corruption (over 3 years).

Happiness index is not only an indicator of the national economies, but also the effectiveness, efficiency of the political elite of the states and social policy. The more accurate it is identical to the mental basis of the people, the higher is the level of happiness of the population. This fully applies to the Arctic countries. Thus, Norway with its highest position among the Arctic countries in the ranking on happiness, life satisfaction and ecology has the following indicators: 7.6 and 4.8 and the life expectancy is expected to reach 81.1 years. Among the highest indicators of the HI are: Sweden, Canada, Finland, Iceland, where the score is calculated at the level of 40—46%. Other countries and regions of the Arctic have lower HI and places in the global rankings (*Table 7*). Therefore, the isead of one wise man about accidental nature of happiness is doubtable. The guests of the Pomor land got a wooden bird of happiness as a sign that happiness they asked will knock at the door of their fate. Perhaps, a gift is not that precious, but presious is the believe in the generation of mood people desire.

It's nteresting, none of the major economic powers was not included in the top ten leaders on happiness neither in the first nor in the second measuring procedure. In the "Colombian" version the United States have the 15<sup>th</sup> place, Brazil — 16<sup>th</sup>, the UK — 21<sup>st</sup>, France and Germany — the 29<sup>th</sup> and the 26<sup>th</sup> respectively, Japan and Italy occupy the 46<sup>th</sup> and the 50<sup>th</sup> place, while China and India — the 84<sup>th</sup> and the 117<sup>th</sup> [7].

Russia has a level of happiness at 5.716 points anf the 64<sup>th</sup> place, just above middle of the rating. Ahead of Russia are Uzbekistan (44<sup>th</sup> place), Moldova (52<sup>nd</sup>), Kazakhstan (54<sup>th</sup>), Lithuania (56<sup>th</sup>) and Belarus (59<sup>th</sup>).

Happiness indices give the signal for the diagnosis of fundamentals of living in the Arctic countries. Quantitative evaluation of happiness in Russia shows a low level of satisfaction with the quality of life of the population. It is useful here to use the hypothesis of a certain reasons why the Russian Federation is behind the former republics of the USSR. One of them is non-critical borrowing the Chicago model of liberal capitalism for the Russian market reforms. An explicit focus on the maximization of profits in favor of a limited social group of "masters of life" is foreign factor, annoying citizens of the country and it does not add any social optimism. In addition, concentration of income and property in hands of these "owners" restricts welfare and humanitarian development of the honest people. Such sentiments, of course, are uncomfortable for feeling of happi-

ness. But now one can enjoy the fact of progressive movement to improve the welfare of the population. Russian has risen to 122<sup>nd</sup> place in 2012 from the 172<sup>nd</sup> place in 2006. Russia will not get the leading position in the social progress without the ability to perceive the dignity of life of other people, without the desire to multiply the best practices of displacement of things that overshadow the joy of life of citizens.



Picture 3. Yakutia / E. Syamin, 2012. URL: <http://www.taday.ru/text/1913793.html>

### **Conclusion**

This analytical review is an attempt to go beyond the limits dictated by attention to scenarios of economic development of Russia, because it limits our political and economic views on the Arctic as submagnet of geopo-political interests of all participants of its economic development. We are not alone in the world, so real scientific outlook on development challenges of the Arctic countries cannot be the objective comparison of their position or their economic potentials. Now we know the ratio of Russian and other Arctic countries.

Article focused on two theoretical statements: a) there we are not the leaders, as it was in 1930s—1990s; b) in 2000-2015 other Arctic countries demonstrate better economic and political dynamics. This is not a reason to sprinkle ashes on our head. In my opinion, the displacement of “rose-colored glasses” from social science is important for realization of the objectives of Russia's place in the global economy. Index matching of Russian and Arctic countries has purely pragma-

particle meaning. In particular, we see the inefficient functioning of the agricultural system, confirmed significant differences in the system of international ratings.

We underlined these aspects not only to have a look at the reasons for gap between Russian and others in socio-economic development, even though it may be a down payment made by the author to the theoretical development of the future approaches to overcome the current Russian imperfections. The article includes judgments, sometimes unexpected, aimed at updating the geopolitical configuration of the world, where Russia is an Arctic nation with qualified and best-time Arctic outpost of civilization and the world economy. Therefore, it is time to work in the correct mode for the creation of innovative and investment conditions for overcoming the stagnation trend of the Russian economy. And only then the green traffic light of the Russian history will open the way to the prize steps of the world ratings.

### References

7. Zalyvskij N.P. *Vosproizvodstvo rabochej sily v diskomfortnyh usloviyah Severa*. Arhangelsk, izd-vo PGU im. M.V.Lomonosova. 1993. 208 p.
8. Zalyvskij N.P. Geopoliticheskaya konkurenciya gosudarstv za ekonomicheskoe liderstvo v budushhem mire. *Vek globalizacii*. 2014. №1. pp. 55—65
9. Mir i Rossiya: regionalizm v usloviyah globalizacii: materialy III mezhdunarodnoj nauchno-prakticheskoy konferencii. Moskva, 11—12 noyabrya 2010. Chast' 1. M.: RUDN, 2010. 434 p.
10. Grinberg R.S. Rossiya vnov mezhdu otchayaniem i nadezhdoj, ili mirovozzrencheskie tupiki ekonomicheskoy politiki. *Trudy Volnogo ekonomicheskogo obshhestva Rossii: yubilejnoe izdanie*. M., 2015. pp. 291—310
11. Rejting stran mira po urovnyu ekonomicheskoy svobody. *Gumanitarnaya enciklopediya*. Centr humanitarnyh texnologij. 10.12.2009 (poslednyaya redakciya: 27.01.2015). URL: <http://gtmarket.ru/ratings/index-of-economic-freedom/index-of-economic-freedom-info> (Accessed: 16 January 2016)
12. *Programma razvitiya OON: Indeks chelovecheskogo razvitiya v stranax mira v 2014 godu*. Centr humanitarnyh texnologij. 24.07.2014. URL: <http://gtmarket.ru/news/2014/07/24/6843> (Accessed: 19 January 2016)
13. *Institut Zemli: Rejting stran mira po urovnyu schastya naseleniya v 2015 godu*. Centr humanitarnyh texnologij. 24.04.2015. URL: <http://gtmarket.ru/news/2015/04/24/7130> (Accessed: 22 January 2016).