

## MODERNIZATION OF REGIONAL ECONOMIC POLICY IN THE LIGHT OF MODERN SCIENTIFIC APPROACHES

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У статті подано критичне узагальнення сучасних наукових поглядів щодо сучасної сутності модернізації регіональної економічної політики. Це зумовило критичне осмислення сучасних наукових поглядів на регіональну модернізацію і формування авторської типології теорій модернізації крізь призму здатності влади змінювати спосіб управління регіональним простором під впливом зовнішніх процесів.

**Ключові слова:** модернізація, регіональна економічна політика, теорії модернізації, інтеграція, глобалізація, місцева влада.

**Problem setting.** Contradictions of modern society, greater world bundle in terms of development in a couple with regional development disparity in the world do stipulate findings a new paradigm of public governance of regional space. Hitherto, neither generally acceptable theoretical concept of regional growth nor conception of modernization of regional economic policy (*hereinafter – REP*) were created, although dozens of interdisciplinary scientific theories and concepts of public relations modernization and regional economies revitalization have been formed during last two centuries. Taking into account the large number of similar theories, now it's still difficult to find adequate academic respond what should be laid on the basis for governmental and particular regional economic policies.

**Analysis of recent research and publications.** Today various modernization theories mould a powerful layer of scientific knowledge. Being mostly interdisciplinary, these theories contain the conclusions for almost all social life spheres. Under globalization and versatile integration impact, new theories (P. Krugman, F. Fukuyama et al.) and conceptual views (e.g., A. Sapir, M. Castells, F. Barca, Y. Bahler, N. Kaldor, OECD experts, etc.) were raised over the past two decades. It enables to see differently complexity and dynamism between globalization impact and public administration effectiveness as well as it even shapes the political agenda in many countries.

**The purpose of the paper, objectives and applied methodology.** The purpose of the paper is a synthesis of scientific views on changing the features shaping the essence of modernization of regional economic policy. It determined the formulation and settlement of two operational objectives: critical understanding of contemporary scientific views on regional modernization and formation of the author's typology of modernization theories through the prism of its ability to change the way of governing the regional space under external objective processes.

**Methodology applied:** abstract-and-logical approach, synthesis method, method of induction with deduction method, comparative approach.

**Main results obtained.** The basic hypothesis for this paper is conceptual comprehension of modernization capacity of the public authorities to change the way of managing regional space under the influence of modern globalization and integration processes. With the general perception of the benefits of globalization, internal forces within the society (community) are believed as important driver of the modernization process, thus there is awareness of inevitable

interdependence of countries and regions that is often accompanied by a growing lust for national differentiation. So amid numerous theories we ought to synthesize the main thesis of those that consider quite modern globalization and regional integration context for a region in light of the purpose and the object of study of this paper.

Problems of different ways of modernization of social and regional development are definitely presented in the works of H. Spencer, E. Durkheim, K. Marx who have proceeded from the assumption of linear progression of society. In contrast, M. Weber saw the “Western particular way” by putting the core issue of why the capitalism and rationalization in all spheres of society, of state and of culture are on the West only. The answer is in fact that cultural-cored theory connects the “spirit of capitalism” with a disposable appearance of “protestant ethics”. Having moved by different path but with the same things finally affirmed, the Elias’s Western civilization theory [1] has showed the development as one-time process, directed process without an overall plan resulted by unintended consequences of actions of a complex system in traditional society.

Today the concept of special road is once again relevant for several reasons. Some authors, for example K. Offe [2], believe that the current OECD countries are a historic unique object without universal structure and results. As B. Zapf pointes, it’s depended on inherent growth abroad which clearly doesn’t allow spreading the Western mode of production with its typical consumption of resources [3, p. 18].

The next conceptual approach may be called “divergent paths model” (“intersection theory” by S. Verba [4]) that covers furcation (dividing) of public development in the critical turning points. These ideas are usually designed in terms of strategic coalitions formed in conditions of crisis or recovery; they determine further development for the definitive time lag. Classical examples are the conceptual papers of W. Rostow, M. Lipset, B. Moore and S. Rokkan.

The theoretical G. Esping-Andersen’s approach [5] has supposed the differences in development paths inside specific group of modernized Western societies. Based on examples of three typical countries, the Dane deployed a thought on alternative modes and alternative forms of politics, economy and culture for similar problems because of differences into initial positions and (or) combination of other terms: 1) liberal welfare state (U.S. social capitalism), 2) states of corporate conservative social (Germany) and 3) state of social democratic welfare (Sweden). This furcation is explained by not more or less homogeneous problems of industrialization, economic growth and democracy, but differences of the form of mobilization of class, political class coalitions and traditions, and styles of policy. Within this logic, one could study and predict convergence and combination through different routs. So, W. Streeck [6, p. 27] considered a globalization-evoked tendency as an attraction to poorly controlled Anglo-American way unlike the generally successful “Rhine model”. Otherwise, some other European authors [7] allocate national (endogenous) forces that enabled, e.g. Sweden to organize a retreat from the welfare state’s standards better than others countries perform it now and before.

The following conceptual approach is quite relevant to present-day Ukraine and connected with the institutes of economics. D. North has formulated the scientific hypothesis to review an unsatisfactory institutional status quo [8, p. 92], “I put forward two fundamental issues of social, political and economic evolution. First, what does it determine the difference towards the evolution of societies and political regimes of the economy in timeline? And the second, how can we explain the survival of economic systems, long-term performance while showing a large deficit?”. The first question concerns the reasons for the differences on development way, the second question explains

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why evolutionary selection does not rule out eventually suboptimal and inefficient institutions. The economists explain it by the “path dependency” principle. So the question arises, is it possible to spread the path dependency principle on wide social processes that means the chosen direction is the result of incremental changes that determine the future course from a known lock-in point? As North says, “path dependency means that history is important... We cannot understand the current favours without tracking incremental evolution of institutions” [9, P. 100]. But if it sounds like the message about implacable and conventional development, so it is not true because, in our opinion, the institutions such as local values and traditions are important.

Also one can refer theory of social capital and symbolic capital (P. Bourdieu) and cultural capital (F. Fukuyama) to contemporary concepts of modernization. Despite the traditional impact of economic factors of modernization, these theories conceptually show the urgency and the strength of informal institutions such as trust, social networks and networking between subjects and objects which, being non-economic ones, increase the efficiency of society. In particular, continuing the Weber’s tradition, F. Fukuyama believed that the public trust promotes a new type of society.

Formed under the influence of the idea of “concentrated decentralization”, the theory of “points of growth” (F. Perroux) is still actual since the mid-twentieth century. This theory has been proposed to explain the anatomy of economic development into abstract economic space. “Development does not occur everywhere and at the same time, it appears in points or poles of development with varying intensity; ...distributes through various channels and has different terminal effects for the whole economy” [10]. The development as a process is very polarized and its driving forces lead to concentration of economic activity and growth, as well as imbalances between sectors and geographic areas including regions.

Starting from the 1970s, the papers of leading scientists of the Club of Rome (A. Peccei, D. Meadows, E. Jantsch, B. Havrylyshyn, J. Tinbergen, M. Munasinghe, M. Mesarovic, I. Prigozhin and others) have brought an important influence on transformation of views on developing countries development. Methods of then dominant neoclassical economic theory based on the principle of rational individualism, were seemed to members of the Club of Rome as ineffective to better understand the spatial and regional problems. Under the Club of Rome’s auspices in many studies, there were widely applied computer modeling and institutional methodology based on a multidisciplinary approach; institutions, organizations and cultural values were particularly attended. The concept of synergy (I. Prigozhin, I. Stengers) with system analysis of complex phenomena brought significant impact on development theories of regions and globalization. The papers of the Club of Rome scientists’ have also made a significant contribution to the formation of the globally-spread conception of sustainable development that is seen as an integrative [11] in the global ideology and substantially complemented the basis for modern political and social views on issues of development of countries and macro-regions.

In the last five or six decades, the neoclassical theory of regional growth (B. Ohlin, J. Borts and J. Stein, J. Siebert, R. Barro and X. Sala-i-Martin) and the cumulative causation theory (G. Myrdal, A. Hirschman, N. Kaldor, J. Friedmann etc.) have become the most influential trends in the theory of regional growth and modernization of regional economic space. Although normative theory of regional economic policy was not the subject of a separate critical research of scientists of these two academic schools, but it has provided a basis for the fundamental ideas of justification REP objectives and appropriate implementation mechanisms.

The brightest difference between neoclassical theory of regional growth and the cumulative

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causation theory is that they both have been pursued opposing predictions about the expected results of economic development process in unregulated market conditions. If neoclassical models predict convergence in levels of GRP per capita, the cumulative causation theory predicts proper divergence. According to neoclassical theory of regional growth, improving the economic situation of weaker regions and their convergence with the advanced regions is due to capital flows from advanced regions with low return on investment (as resulted from the law of diminishing marginal productivity) in lesser developed that show a more favorable investment opportunities and employment resources – from lesser developed regions with relatively lower wages into more developed regions with higher wages. The result of spatial displacement of mobile production factors is smoothing of profitability, productivity and GRP per capita in various regions. In the long term, the rates GRP growth are determined by the workforce addition and technological changes.

The opposite interpretation for a spatial development process is proposed by the cumulative causation theory. It's basic principles were formulated by G. Myrdal, "the playing of market forces leads to a deepening of interregional disparities, and this tendency is the stronger, the lower the level of economic development. These are two the most important patterns of economic development in a free market" [12]. As the main factor contributing to the deepening of differences in levels of economic development of different regions, Myrdal believed attractiveness of large agglomeration areas for new businesses enabling to save on production and transaction costs in appropriate territory. Competitive advantages of economically underdeveloped regions (especially cheap labor) are not sufficient to compensate these agglomeration advantages. The most qualified and motivated personnel migrate from lagging regions to leading ones. Banks use obtained savings from lesser developed regions to finance projects in more developed ones. The trade between leading and lagging regions leads to bankruptcy of enterprises located in lesser developed regions because they can not compete with growing regions' companies with an advantage of increasing returns to scale. It has led G. Myrdal to conclusion that permanent growth in a detached region would run thanks to other regions. Over time, the leading regions will detach from the national average level while the backward regions will sink deeper into depression state.

From the standpoint of neoclassical theory supporters, the maintenance of persistent and prevalent disparities in levels of economic development is treated not as evidence of false assumptions from the theory and proper conclusions but as evidence that the acceleration of automatic market mechanisms is extremely slow. It causes the need for modernization of REP in direction of strengthening and speeding up the natural market mechanisms.

Accordingly, Americans G. Borts and J. Stein made a proposal to single-channel subsidizing the salaries payments to old-industrial enterprises from depressed regions and subsidizing the migration from the economically underdeveloped regions [13]. Incidentally, subsidies for salaries should not be financed from central government's transfers but from own depressed region's tax revenues raised as a result of additional wage tax residents of a region. The economic meaning of this is to simulate the market conditions of perfect competition. An additional taxation on salaries with retransferring these additional revenues to local entrepreneurs have to balance all net businessmen' payments to involved laborforce with marginal labor productivity and to eliminate unemployment. This adjustment mechanism is seen as a short-term measure. But in long-term period, solving the problems of old-industrial depressed regions is associated with migration to more successful regions, with capital endowment and with marginal productivity of labor. As the regulation mechanism that could accelerate the "natural" process of labor migration are proposed the subsidies to partially offset the costs of moving to the regions with more dynamical

development. Borts and Stein considered unreasonable subsidizing of investment project in economically depressed regions, cause of it'd lead to a redistribution of limited financial resources to relatively lesser efficient investment projects, and thus it would reduce growth rates generally.

Elements of normative theory of REP are also contained in the papers of supporters of the cumulative causation theory, especially by A. Hirschman and J. Friedmann. Unlike the followers of neoclassical regional economics trend who are confine themselves to revision the separate instruments for accelerating the natural market processes, the cumulative causation theory's supporters are about inherent strategic approach to study REP singling out key priorities both with foreseen changes in spatial development stages of the national economy.

Hirschman connected governmental impact on economic development with implementation of an "unbalanced growth" strategy [14]. Alike Myrdal, Hirschman came out from the fact that economic development cannot be regular and uniform and it is of spatially concentrated nature. At the initial stage, an optimal regional economic policy should focus on intensification of limited number of "points of growth" that would enable attracting more resources. However, further "growth poles" should ensure transmission of impulses to other areas.

According to A. Hirschman, "growth poles" development is accompanied by two classes of externalities:

1) with favorable "trickling down" effects related to deployment of new capacities of enterprises that could take strong positions into the "growth poles" and in other areas, with the rising demand for products produced in lesser developed regions, as well as increasing the marginal productivity of labor in underdeveloped regions due to migration of the labor force to more developed regions;

2) with adverse "polarization" effects associated with the deterioration of competitiveness of enterprises from lesser developed regions oriented to the same target markets as the company with the "growth poles" and associated with migration of the most motivated and skilled laborforce from lesser developed regions.

At the initial stage of unbalanced growth strategy, "polarization" effects dominate, and it leads to a deepening of interregional inequality. However, as A. Hirschman proves, long-term "draining" effects will significantly reduce inter-regional disparities. And it disaccords with the Myrdal's position who thought that backwash effects (negative external effects) would consistently surpass in impact force on other lagging regions any positive effects of spread effects. Awakening the "draining" effect is associated by A. Hirschman with the depletion of growth opportunities in leading regions as well as to the implementation of the next phase of unbalanced growth strategy – leveling the regional development. Besides resources from donor areas ("growth poles") are used to aligning the spatial distribution of economic potential with the governmental support to investment projects in lesser developed regions.

A significant contribution to the development of normative theory of regional development is brought by J. Friedmann and W. Alonso [15] who have showed that the content of regional economic policy is severely depended on economic development stage. In industrialized economy, regional economic policy plays a minor role in a national economic strategy being bounded by alleviating the problems of the most depressed areas. However, within transforming economy (in John Friedmann's papers – while transition from agrarian to industrial economy occurs) regional economic policy is crucial. That's why such a period is usually accompanied with concentration of investments in one or more regions with a slump in economic potential and investment

attractiveness of the rest of the country. It results in a dual structure of the territorial economy, consisting of a center (a large urban area) where the driving forces of development are, and a periphery whose economy either stagnating or compressing being poorly integrated with a center.

In long-term period, as soon as transformation processes complete, the degree of dominance of a single central region (monocentre) will decrease over the rest area but it can be very lingering. According to Friedmann, there are no automatic mechanisms that could enable national economy into steady status of spatial balance. Protracted center-peripheral relations lead to deepening the inequality in well-being of different regions, underutilization of available resources, inefficient allocation of sectors, excessive concentration of urbanization in the largest urban centers, limitation the development potential of the consumer market nationally as well as political destabilization [16, p. 99]. The only way to resolve it is an active government intervention. In view of this, in conditions of transforming economy, the main objectives of regional economic policy are the gradual elimination of periphery and its transformation into the system of interconnected urban regions as well as the consistent integration of regional economic space enabling to use geographical division of labor as much as possible on the basis of intensive national product markets. In terms of regional management, the essence of the centre-periphery model is arisen opportunity for the most innovative transformation centers, and then these innovations are broadcasted on the periphery ensuring its development albeit with a time lag. Underdeveloped cities and limited-resources cities will become a brake on innovation diffusion inevitably.

Hirschman's and Friedmann's conceptions are rather a strategic vision of promising path to implement the REP than a strict normative theory which would enable to formally justify the need of this implementation and to combine its goals, objectives, instruments and mechanisms into a single system. Therefore in last years, the academic literature is accrued with a number of attempts to develop more formal normative theory of REP. To solve this problem the Scottish scientists E. McVittie and K. Swales have used the methodology of social welfare theory [17], and the proposed model allowed them to rank the different statuses of economy in terms of degree of public interest achievement. But as M. Vasilieva says, this approach was purely formal and impractical because it doesn't allow even a qualitative level mechanism to describe the impact of policy decisions on the process of regional development and the objectives of REP as well as justify the need for targeted financial support to particular regions [18, p. 43].

As affected changes in the way of how cities and regions develop due to globalization and integration over the last 20-30 years, the influence of the neoclassical theory of regional growth and cumulative causation theory began to weaken. As a result, new theories of development (endogenous growth theory, new economic geography, etc.) and spatial institutional economics theory arisen. Considering to such a bulk of scientific views, the least interest was in implementation of national and regional policies, including REP till recently. A special milestone in the genesis of scientific theories and concepts is the spatial dimension of regional transformation. Despite of decades of discussions and a surge of scientific theories, today almost two opposing conceptual approaches to the formation of a regional development policy (space-neutral and space-regarded dimension of regional policy) are distributed at the political and supranational levels.

The first modern approach is space-neutral which chronologically based on:

- 1) Expert report "An Agenda for a Growing Europe", the so-called as Sapir Report 2004 [19]. EU cohesion policy must be primarily aimed at the member states rather than at challengers for EU membership and, moreover, not at sub-national regions although they are very different from each other. In fact, there was accenting on subsequent universalization of regional policy

beyond territorial specificity but taking into account ICT and knowledge-intensive industries.

2) The World Bank “Reshaping economic geography 2009” report. It’s focused on the new economic geography theory (P. Krugman) that supports the benefits of agglomeration around the major cities: the development and growth will be unbalanced if trying to spread economic activity affecting poverty only and undermining the desired growth and development. Supporting on the conceptual W. Rostow’s vision, it’s suggested that present-day developing countries would replicate the path traversed by developed world before. Also the paper offers a conceptual vision of three-dimensional “3-d” space (density, distance and division) with a set of “3-i” policy instruments (institutions, infrastructure, interventions). Finally, the desired result is a new theoretical development model based on the “space-neutral” strategies that should be the most effective way of providing equal opportunities and improve people’s lives irrespectively where people live and work.

At axiological level and in favour of goals of modernization of REP, it means that:

a) putting forward equal access to benefits irrespectively where people live and work as a key criteria, it’s possible to achieve more even geographical distribution of wealth and even convergence of depressed regions and localities through objective mobility and infrastructure;

b) due to clear “rules of the game” (strategic priorities and government guarantees), it’s possible to attract external prerequisite factors of production which finally obtain important spatial effects too. First of all, it is a matter of cities. In practice, it’s turned out that elaborated strategies of developed regions and cities have similar content which, in my opinion, also confirmed in Ukrainian experience of developing strategies for small towns in the early 2000s.

The second modern approach is the spatially-oriented one (OECD, Committee of Regions of European Commission, Andean Development Corporation (*hereinafter* – *CAF*)) became a response to the EU’s vulnerability to the 2008-2010 financial crisis. There are two key features: a) the transition from a centralized and hierarchical model based on targeted subsidies to a wider group of varieties of policies and mechanisms for regional development; b) opportunities to growth exist in all areas and for all of types of regions. So the question of space in all development strategies should be accented and should largely reflect the local context. They build up a general potential and framework not only for the development of proper areas but also for the inhabitants (and voters). This approach is particularly relevant when it means the transfer underdeveloped area on a new trajectory of development or to a new, higher equilibrium point. It means that,

firstly, ignoring the specifics of a particular territory (in terms of cultural, social or institutional features) conflicts with the intended policies;

secondly, space-oriented approach really resonates with a problem of competence of local political elites during policy of intervention: who else in spite of elites is entitled to know and to be responsible for what, how and where to do throughout locality?

So the logical sense of development policy or regional economic policy is in facilitating resource mobilization and improving interaction between local groups (citizens, businesses, etc.) with the elites involved in politics.

This fundamental view is logically continued by the F. Barca’s paper [20]. Started from institutional power structure, Barca tracked the dependency of regional backwardness on either local elite’s inability (or unwillingness) to create (or to strengthen) the centrifugal forces of agglomerations or the growing local administrations’ impact on neighboring areas. The actions of domestic policies are seen as a way to challenge some desired external changes. Balance between internal and external forces should meet local specifics.

Supporting fundamentally similar conceptual point of view and relying on econometric calculations, the OECD concluded that it's appropriate to support the development in all regions since they can show growth and have a certain potential for this [21]. It will long-term cutout to exclusion, to local depression and to increasing poverty in OECD countries. An important intermediate result is foreseen as "integrated regional policy" [22] by way of coordinated infrastructure development for several regions.

Finally, the CAF report of 2010 [23] also provides a sufficient argument in favor of space-oriented approach: one of the important responses to the problems of regional development is the use of comprehensive policy for every area, in particular to the specific large cities, urban areas and regions of Latin America and Brazil. It emphasized on particular role and restriction for local and regional authorities during power decentralization to community development, and that "soft" institutes do matter.

At axiological level and in favour of goals of modernization of REP, it means that:

a) due to developing "space" of different size and different density of settlement, an economy can become more efficient. Supporting urban or regional systems as a whole would bring greater effect to the country than just developing only large cities as spatial hierarchical peaks in the national context. It's updated the leading role of large cities compared to other alternatives such as medium and small cities' networks as promising drivers for rural areas;

b) the past experience of the developed countries can not be fully appropriate to resolve future strategic challenges of today's regions of Ukraine. Development based on the concentration of resources in large metropolitan areas does not guarantee an acceptable model of growth for those regions where modern agglomeration areas are, for example, only Kyiv and Kharkiv agglomerations in Ukraine.

So, one could conclude that there is some mess into the space-neutral approach embraces some confusion between correlation and causality that limiting researching ability to move from observation the space to management the governance impact through appropriate mechanisms of public and regional administration. Indeed, against the backdrop of European examples and shifts after decentralization, now there are more and more supporters of value strategic orientation and systematic mutual coherence of direct and indirect factors affecting the performance of local firms; emphasis on domestic assets in Ukraine. The recent reform of regional policy in a number of EU and OECD states have proved that this "thinking caused a paradigm shift" which was suggested by J. Bahler and D. Yuill back in 2001. It enables to compare these paradigms together (Table 1).

By virtue of more social orientation, greater democracy and greater voluntary social and spatial envelopment, one can consider the modern paradigm of regional development policy as perspective policy for Ukraine which, in fact, was approved by the Government of Ukraine in 2014 influenced by the European authority and sway.

In the context of rethinking objects to be changed during regional modernization, it's important how to distribute social benefits that are always spatially differentiated and vary over time. It's known that distribution of power and social resources in the community generates economic inequality and defines policy priorities. Actually, it's difficult to justify a point of balance scientifically and whole the scientific debates are still ongoing, but we know that the current regional development is increasingly sinking into the background of regional imbalances and ensuring parity on "donor – recipient" axis in favor of policy oriented on growth and strengthening both donor's and recipient's potential. For the purpose of modernization of regional economic policy in Ukraine and within a narrow corridor of possibilities, it means that it's desirable to stake



on that it grows itself. Ukraine has already developed areas (localities) of growth based on available significant competitive advantages over there. However it's still a lack of understanding what kind of supportive policies is needed for them, although the growth of those localities accelerates development across the country [26].

Table 1. Comparison of major paradigms of regional development policy\*

Criteria	“Old” / classical paradigm	“New” / modern paradigm
Conceptual framework	Theories of productive forces distribution; key factors are from comparative economic (production costs, availability of labor ...)	Theories of regional studies; key factors are regional features and capabilities (innovative environment, networks, polycentrism...)
Essential thrust	Leveling the regional development and governmental evening-out vulnerabilities in lagging regions	Disclosure unutilized potential of all regions to increase their competitiveness
Units of influence	Administrative units	Functional economic areas
Application method	Sectoral approach with emphasis on economic and industrial policies	Integrated and multifaceted development programs with large coverage
Accent	Foreign investment and subsidies	Endogenous local assets and knowledge
Instruments	Incentive mechanisms based on subsidies, public investments, strategic investments mainly in physical assets and address aid	Combinations of “soft” and “hard” assets (financial capital, labor markets, business environment, social capital and networks)
Actors	The central government as the main subject of policy	Different levels of government with other stakeholder groups
Evaluation of results	Assessment of actual and measurable results	Assessment of expected, intermediate and actual results with the complexity of their quantitative assessment

\*adopted by the author basing on [24, p. 51; 25, p. 5].

**Conclusions.** Linkage the entities of modernization theories with the problem of modernization of regional economic policy allows us to set that modern development theories are considered as sufficient and isolated fragments of modernization concept in scientific literature.

Modernization theories are presented at an angle how they are being developed under the influence of other related sciences with a focus on specific expression of development in regional governance studies (e.g., economics, sociology, economic geography). Today the formation of new research directions is built up on synthesis or dividing available scientific attainments from the different areas.

Erasing interdisciplinary borders determines the need for use classifications with aggregated onset enables to rethink conceptually the modern politico-administrative and spatial trends. Based on a similar integral criterion, one can deductively distinguish very synthesized criterion “ability to transform the way of regional space governance under external processes” that forms the three-dimensional typology of modernization theories.

1) The first group of theories includes the philosophical and sociological structures, is believed significant cause of it reveals the problem of public relations rationalization and axiological dominants of modernization. It retracted the classical modernization theory, theory of dependency, world-systems theory, Post-modernization theory, theory of stages of economic growth, second modernization theory, theory of social capital, theory of cultural capital, technological revolutions theory, the sustainable development conception. Also there are some attempts to use certain geographic theories on regional level (intersection theory, regional

modernization theory) related to the study of regional development according to civilizational values and coordinate system, such as balancing between industrialization and urbanization.

2) The second group of theories of regional development modernization explains the nature and staging of regional institutions by applying the economic institutes and property development as well as target milestones and modernization priorities. It's represented by scientific economic concepts, namely, theory of growth poles, neoclassical theory of regional growth, cumulative causation theory, theory of convergence, clusters theory, spatial theory of institutional economics, social welfare theory.

3) The third group of conceptual approaches to modernization of regional economic policy is related to principled consideration of the spatial aspect, namely space-neutral (based on "new economic geography") and the space-oriented views. Currently, both these theories are applied in practice but kept it up by different influential political-and-financial and analytical institutions globally. In last decades, some alternative geotheories are becoming more common accented on the role of integration and assuring competitive regional economic conditions within globalization conditions.

The presented typology of modernization theories creates new background combination enabling more entire comprehension the processes of regional governance in terms of the topic subject.

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