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REGIONAL POLICY

Space-Neutral and Place-Based Regional Policies: The Problem of Choice

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Abstract—This article analyzes the competing principles of regional policy and their applicability to the Russian economy. Two viewpoints are discussed. The World Bank school professes a space-neutral approach that excludes interventionist measures, while the European school promotes a place-based approach suggesting the use of different measures to stimulate growth in different regions. The schools' arguments are based on different theoretical concepts: the new economic geography and the endogenous growth theory. The advocates of the first approach believe that the problems of regional economies are associated with an inefficient spatial distribution and insufficient mobility of production factors between regions. Hence, they recommend removing all regulatory restrictions that can distort market signals and limit mobility and reject any measures to support the economies of depressed regions. The alternative approach focuses on the unleashing and full use of the social and institutional capital in each region. The interactions between all stakeholders at the local level should follow the bottom-up principle, and specific development strategies should be designed for each region. European studies contain interesting methodological approaches, which fit into the increasingly complex structure of the modern regional economy with its complicated patterns of growth. World Bank experts are effective in promoting their views, which inevitably leads to simplification and schematization. Their views and recommendations have a visible influence on the regional policy debate in Russia. However, Russian regional policy has not yet attained a balance between spatial efficiency and regional equality, as evidenced by contradictions in the strategic development documents.

Keywords: regional policy, spatial efficiency, interregional inequality, new economic geography, endogenous growth theory, place-based approach, space-neutral approach, World Bank, European school of regional policy

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In 1996 Russia's President issued a decree "On the Main Provisions of Regional Policy in the Russian Federation" [1], which induced a series of efforts to develop the fundamental principles of a regional policy for Russia, which continue to this day. Various concepts were proposed (see, e.g., [2–4]), which assigned different weights to the principles of regional cohesion versus those of polarized development. The discussion of these principles grew into a broad debate in the academic community and society in general, during which criticism was directed toward the 2005 Concept of Socioeconomic Development of Russian Regions, which was designed by the Russian Ministry of Regional Development [5]: this was the first document to abandon the regional cohesion policy. The currently effective Concept of Long-Term Socioeconomic Development of the Russian Federation until 2020 establishes the importance of both goals of spatial development, i.e., the creation of new centers of economic and social development and the reduction of spatial disparities in the standard of living and quality of life across the country [6].

The draft Concept of Regional Policy Improvement in the Russian Federation until 2020 again set the goal of balanced development of regions [7]. At the same time, the 2020 Strategy suggests that, in designing the Russian spatial development strategy, the focus should be on stimulation of existing centers of growth and controlled contraction of peripheral territories [8]. In the absence of a spatial development strategy, the State Program on Regional Policy and Federative Relations [9] is supposed to ensure a balanced development, strengthen financial independence, and unleash the investment potential of the federal subjects of Russia in 2013–2020.

In recent years the World Bank and OECD have regularly published studies on regional growth and recommendations on regional policy. These reports have taken the form of an open debate on the conflict between efficiency and equality in spatial development, with this conflict also involving the problem of conservation of regional environment.

In 2009 the World Bank announced that their economists were "redrawing the map of the world" and published the so-called guide to practical geography entitled *Reshaping Economic Geography* [10]. The basic idea was that economic growth, by its nature, cannot be evenly distributed across space, which inevitably leads to territorial differentiation. Human activity is most productive in large metropolitan areas where there is access to big capital and infrastructure and a high density of personal interactions. Hence, the main driver of national economic growth is the migration of people to big cities. Consequently, policy measures should not interfere with this optimal distribution of people and resources. These measures should be uniformly defined for all regions, i.e., "spatially blind." Any attempts at achieving spatially even growth by means of government policy are doomed to fail; moreover, they may have an opposite, depressing effect. Governments are therefore encouraged to create conditions for the concentration of resources in individual cities and regions, i.e., points of growth, which make the largest contribution to the national economic dynamics. This approach is called *space-neutral*, meaning a conscious rejection of preferences in the development of individual regions.

In the same year, the OECD declared the beginning of a paradigm shift in regional policy toward the cohesion of EU countries, published a series of reports explaining "how regions grow" [11], and proved that not only advanced "regions matter" in economic recovery, innovation, and sustainable growth [12]. The paradigm shift meant a transition from a policy of compensations to businesses and the population in lagging regions to that of identifying and stimulating the growth potential of all regions. The European Union's "old" regional policy was implemented by the central government in the context of administrative regions within a sectoral approach; it took the form of subsidies and state support to temporarily compensate for adverse conditions in lagging regions. The "new" regional policy is to be carried out by all levels of government, targeting functional economic areas within the framework of integrated development projects to develop the underutilized potential of all regions so as to improve their competitiveness. It is aimed at developing regions' tangible and intangible capital: not only capital stock and labor markets, but also the business climate, social capital, and social networks [12].

The European Commission and the Directorate General for Regional Policy stated that "Regional Policy is no longer seen as a means to help regions catch up with the Union's average indices. EU Regional Policy is now a policy which identifies and targets opportunities for the future by mobilizing underexploited potential rather than compensating problems of the past" [13, p. 6]. The concentration of the Union's limited financial resources on the promotion of innovative business and regional governance practices is a much more complex task, which is more consistent with the structure of modern economy than the simple territorial concentration. This approach, which takes into account the spatial aspect of economic activity, is called *place-based*.

Different approaches led to different practical recommendations. In 2009–2012 the World Bank clearly showed how to "redraw the economic geography" in East Asia, East Africa, Latin America and the Caribbean, Egypt, Russia, and cities of the Eurasian Silk Road countries [14–19]. The European Commission confined itself to a small brochure offering its regional policy experience to countries outside the European Union [13].

The debate between advocates of the World Bank and EU approaches still continues in the pages of research journals, although in 2011 the OECD Secretariat ended their review of this debate [20] with a conciliatory conclusion that the two approaches should not be mutually exclusive. Pursuing a common goal to promote growth, both approaches should be aimed at people, and, at a time of crisis, a good structural policy cannot ignore the spatial dimension of economic development.

This discussion was called a debate between economists and economic geographers, meaning not different professions, but different approaches: the economic approach, which gives priority to economic assessment in measuring the effects of regional policy, and the space-based one, which, apart from purely economic gauges, uses social and environmental indicators in order to develop the most suitable package of measures to stimulate the development of each territory.

The recriminations are as follows. The economists seek to prove that the quality of institutions and framework policy measures make a greater contribution to development than the quality and sufficiency of region-specific factors of production such as labor, capital, and knowledge. Geographers who recognize the importance of institutions for development believe that the mere presence of the latter in a region does not explain why regions with similar institutional characteristics exhibit dramatically different growth rates.

Since the strategy of spatial development of the Russian economy has not been worked out yet, it is of interest to consider the arguments of both sides of the debate.

Theoretical Principles. The World Bank's reports are an adaptation of the principles of new economic geography (NEG). NEG seeks to explain the phenomenon of industrial agglomeration, or *geographic concentration,* which is a key factor of growth in a region, by using neoclassical equilibrium models that take into account returns to scale. Agglomeration occurs when centripetal forces prevail over centrifugal ones. Centrifugal forces are manifested in the fact that firms seek to satisfy spatially distributed demand and avoid competition with other firms in smaller markets. Centripetal forces allow firms to use increasing returns on larger markets and consumers to have access to a broader range of goods and services at lower prices and to higher standards of accommodation. There are three fundamental factors leading to agglomeration: increasing returns to scale, which encourage the spatial concentration of activities; transport costs, which force firms to move closer to major markets; and migration flows. Spatial agglomeration of firms creates the conditions for cumulative growth of production in a region. However, this is not a necessary outcome. The dispersion of firms in space creates the conditions for a cumulative decline in production.

The World Bank's approach is also markedly influenced by J.G. Williamson's theory of regional disparities. In the 1960s, Williamson reprised the idea that development of a region proceeds through stages [21], which had been put forward by J. Fisher and E. Hoover. According to his theory, in the early phases of economic development, growth is concentrated (and acquires diverse sectoral directions) in a country's central area. Subsequently, it extends to the peripheral regions and lagging sectors. The result is that at first the regional gap widens, but then it narrows when a certain level of national income is reached [21]. The trajectory of regional differentiation takes an inverted U-shape, which is called the *Williamson curve*.

The OECD analytical documents are based rather on theories of endogenous growth. According to R. Capello, the endogenous factors of regional growth are the following components of a region's socioeconomic and cultural system: "entrepreneurial ability, local production factors (labor and capital), relational skills of local actors generating cumulative knowledge acquisition, together with decision-making capacity, which enables local economic and social agents to guide the development process, support it when undergoing change and innovation, and enrich it with external information and knowledge required to harness it to the general process of growth, and to the social, technological and cultural transformation of the world economy" [21]. All these factors are inextricably linked with a territory and determine the structure of social and economic relations that is unique to the territory. These specific local conditions determine the competitiveness of a local production system and ensure its persistence over time. These factors enable regions to produce goods demanded internationally with an absolute advantage, to maintain that advantage over time by innovation, and to attract new resources from outside. Thus, being treated as a specific system of social and economic relations that sets a region apart from other regions, space becomes an active factor in development [21].

Where Is Growth Concentrated? The World Bank reports state that the spatial concentration of production, particularly in major cities, fostered economic growth during the structural transition from agricultural to industrial production and then to the service economy. The texts present a large number of indicators showing GDP concentration by countries, which are summarized in the following calculation: half the world's GDP is produced by 1.5% of the planet. Hence, it follows that attempting to expand an economically active area means depriving it of development incentives [10].

It should be noted that, in 2011 in Russia, one-third of the GRP (Gross Regional Product) was produced in Moscow, Moscow oblast, and St. Petersburg, the total area of which is 0.3% of the country's territory and whose share in the country's total population is 17%. The group of Russian regions that together produce half the GRP includes the Republic of Tatarstan; Sverdlovsk oblast; Krasnodar krai; the Yamal–Nenets and Khanty–Mansi autonomous okrugs; and Krasnoyarsk krai. These cover a total area of 24% of Russian territory, and their share of the population is 29%. From the standpoint of World Bank experts, this is an unacceptably low level of economic concentration, requiring urgent action to transform the spatial pattern of the economy. This view is supported by a historical journey over the past century, during which Americans were moving to the South and West of the United States, making the economy more concentrated, while the Soviet people were moving to the East and North of the country, creating spatial inefficiency, which, according to World Bank economists, had become one of the reasons for the collapse of the Soviet Union [10].

In the European Union, 43% of production output comes from 14% of the territory. The geographical pentagon that produces goods with high added value is formed by London, Hamburg, Munich, Milan, and Paris (about one-third of the EU population live in these cities). However, OECD experts interpret this figure as evidence of substantial socioeconomic disparities, comparable with those observed in China, where 60% of the GDP is produced by 4% of the territory [13].

Studies of economic growth in OECD countries over the period of 1995–2007, which covered 335 regions, found that the major regions (hubs),* which make up 4% of the total number of regions, account for one-third of the total GDP growth in the OECD countries, while the majority of growth—two-thirds—is contributed by other regions [20]. This leads to the opposite conclusion: the contribution of a region to the economic dynamics does not necessarily closely correlate with its size. Constructing the dependence of a region's rank on its contribution to aggregate growth made it possible to distinguish four groups of regions making similar contributions (based on the discontinuities of this function on a logarithmic scale). The differentiation of regional contributions to the dynamics was found to grow over time, but the distri-

* These are 14 regions: California, Texas, Tokyo (Kanto), Florida, New York, London, Île-de-France, etc.).

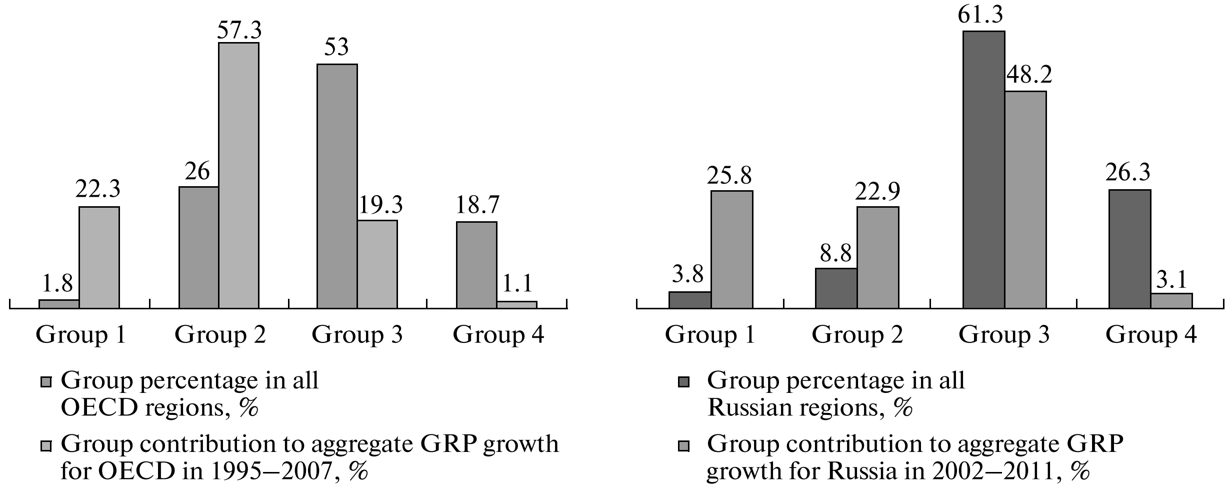

Fig. 1. Grouping (a) regions of OECD and (b) regions of Russian Federation according to contributions to aggregate economic growth. Russian sample includes 80 federal subjects with positive growth rates.

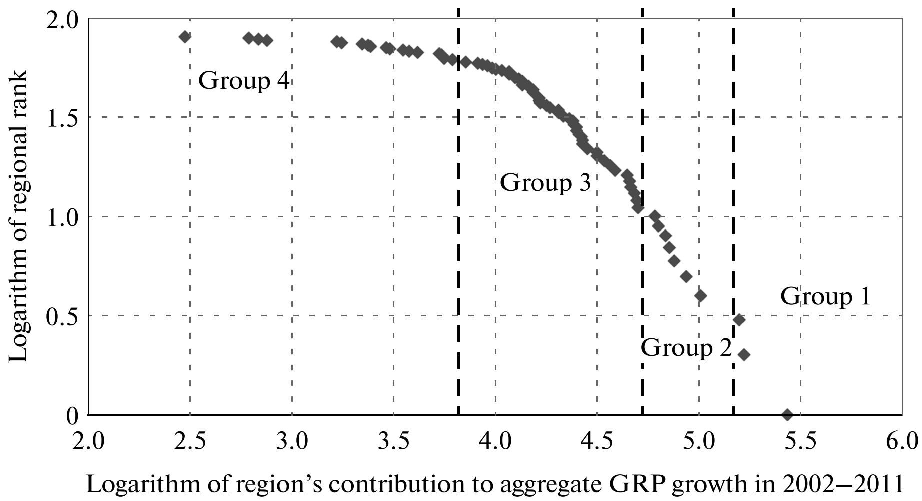

Fig. 2. Dependence of regional ranks by region's contribution to aggregate GRP growth on region's contribution to aggregate GRP growth in 2002–2011 (logarithmic scale).

bution becomes more biased, so that the greatest contribution comes from the largest regions of the first group and from the medium and small regions of the third and fourth groups (Fig. 1a). Therefore, it is recommended to focus on the promising second group, which is diminishing, but accounts for 57% of the total growth in the OECD area.

We did a similar calculation for the contributions of Russian regions to the GRP growth in 2002–2011 (Fig. 1b) to find that, in our case, the promising group whose share in the GRP growth is more than twice as high as its share in the sample is dangerously small. The first group of regions—Moscow, the Moscow oblast, and St. Petersburg—which make together a quarter of the GRP growth, is followed by the second group of seven regions, whose contribution to the GRP growth is 22.9%. These are Sverdlovsk oblast, Krasnodar krai, the south of Tyumen oblast (without the autonomous okrugs), Bashkortostan, Tatarstan, Krasnoyarsk krai, and Perm krai. The largest (61.3% of the sample) third group of 49 regions contributes 48.2% to the GRP growth, and, obviously, it is in this group that, according to the logic of OECD analysts, we should look for a hidden potential of growth. At least, within this group there is a subgroup of the first six regions (7.5% of the sample), which contribute 12.5% to total growth. The fourth group, in the tail of the distribution, which is hopelessly small in terms of its GRP contribution, comprises more than a quarter of Russian regions (Fig. 2).

Role of Urban Agglomerations in Economic Prosperity. One of the main arguments of World Bank economists is that the way out of poverty is to be found in cities because all countries with a medium per capita income went through a period of rapid urbanization. Therefore, they recommend policies that promote agglomeration processes and facilitate migration, which not only allows a person to find a better place to live but also changes the economic space so as to achieve growth of incomes and living standards. Moving to a city from a rural area is beneficial not only for the person who has left the village but also for those who stayed, leading, in the long term, to a convergence of income levels between regions. In other words, the social component of regional policy, which is intended to reduce the areas of poverty, is fully dependent on its global component, which is usually aimed at strengthening the international competitiveness of a few large cities in the country.

When it comes to Russia, all texts published by the World Bank reiterate the arguments about the lack of second-rank major cities, which is identified by building a rank–size distribution. In their most recent study on Eurasian cities, this argument was voiced with aphoristic brevity: "Russia has fewer midsize cities than do Brazil or the United States. Its population is still scattered, even though economic activity is concentrated in a few regions. Compared with similarly remote regions of Canada, Siberia and the Far East may have about 18 million people too many. Between 1989 and 2004, almost all new firms chose to locate near Moscow and St. Petersburg. Policymakers may need to help Russia's population to move to economic density as firms are doing" [19].

The motives underlying these estimates for the "overpopulation" of Siberia and the "nonmarket" hierarchical structure of Russian cities were discussed in [22], but it should be noted that these estimates, the original authors of which have already been largely forgotten, continue to be used by Russian officials. Thus, as Minister of Economic Development, E.S. Nabiullina said: "There are suggestive estimates that preserving at any cost the inefficient small towns and preventing the flow of workforce to the major cities can cost us 2–3% of economic growth.... There are estimates that, over the next 20 years, about 15–20 million people can be freed up from small towns in Russia. We should think about ways to rapidly modernize the urban environment of the country's largest cities, at least 12 cities with a population of more than one million people" [23].

European experts are not that enthusiastic about universal urbanization-policy recipes. They admit that large metropolitan areas act as key drivers of economic growth. However, European experience demonstrates a mixed spatial impact of economic concentration. Europe, with its relatively high population density and high land prices, is faced with problems such as overpopulation, pollution, and crime. Arguing with the "spatially blind" strategy, which should ultimately lead, in theory, to a more even spatial distribution of welfare, geographers do not believe that encouraging workers to migrate to more productive locations, i.e., cities, would be sufficient. In contrast, of fundamental importance are not the indicators of large cities at the top of the national urban hierarchy, but those of the entire economy. It is only an economy that encourages growth of different areas with different characteristics that will be able to reach beyond the limits of its production capacity [24].

Having reached the limits of urbanization, Europe found that growth factors are not confined to large cities. The experience of regional policy in Spain and other countries shows the importance of polycentric development of small and medium-sized cities and the role of local centers in rural areas. Medium-sized cities link together large cities and small towns and villages, promote integration, communication, and returns to scale, and constrain the depopulation of rural areas [13].

Thus, advising full promotion of urbanization, the World Bank confuses causality with correlation. What is observed empirically (e.g., the rank–size distribution of cities or the relationship between urbanization and income) cannot always be generalized to a regularity and, moreover, promoted as universal regional policy rules. Following these recommendations in the European Union would lead to depopulation of small- and medium-sized cities. Instead of simply encouraging mobility, European experts suggest using locally specific institutions that would help pave alternative paths of development for European regions.

Do Jobs Follow People or Do People Follow Jobs? According to World Bank economists, the government should foster the market forces of agglomeration, migration, and specialization, which in turn will ensure both the concentration of economic activity and the convergence of living standards. They admit that such a policy may have negative social implications, but they do not consider it necessary to examine them in detail [10]. They believe that an increase in labor mobility (and hence a reduction in the average wage) is the only means, and a natural one, to mitigate the imbalance between labor and capital resulting from the integration of China, India, and the former republics of the Soviet Union into the world economy, when a huge inflow of the workforce shifted the labor–capital ratio in favor of the latter. World Bank experts suggest that no effort should be made to regulate market processes, which instead should be fully released. This idea caused a storm of criticism for "blind faith in the free market" [25, p. 725] and the "pursuit of ideological hegemony" [26, p. 45]. This belief goes back to the Borts–Stein neoclassical model of regional growth [27]: given perfect mobility of labor and capital, capital moves away from regions with an excess of capital to those with an excess of labor, and labor moves in the opposite direction until regional wage rates and profit margins are equalized.

For some British geographers, the call of World Bank economists for labor mobility as a means to compensate for regional disparities recalled the famous slogan dating back to the times of Thatcherism, which told the unemployed in depressed regions to "get on your bike" and look for a better life in more well-off parts of the country. This slogan completely ignored both the historical injustice in the development of different regions and the value of regional culture and assumed that all regional policy issues should be resolved by the market [28]. Not too long ago, a similar opinion was voiced by Russian Prime Minister D.A. Medvedev, who said that Russia should move away from the policy of conservation of employment at any price and not be afraid of cutting inefficient jobs. "Some, and this may be a substantial part of the population, will have to change not only their jobs, but also their profession and place of residence" [29].

The advocates of the place-based approach believe that, in order to successfully address the problems of poverty and unemployment, it is necessary to improve the quality of labor resources in lagging areas, namely, implement training and development programs targeting universal knowledge as well as professional skills. Investments in research, development, and innovation create conditions for long-term growth and need the longest period of time (according to OECD estimates, about 10 years) to show a positive effect. Without investing in local human capital and in research and development, it may be useless to invest in infrastructure, although these investments increase the accessibility of remote areas. Thus, it is proposed to implement a comprehensive package of measures to promote endogenous (human capital and innovation, infrastructure, and agglomeration effects) growth factors in a region [20]. Although in this case regional policy is used in a traditional manner, as a means to attract investment to troubled regions, it is fundamentally different from the "old" regional policy, which provides for modernization of production, encourages entrepreneurship and retraining of the workforce, promotes rehabilitation of industrial sites, etc. Instead of a policy to retain jobs, regional authorities are encouraged to develop the ability to predict future demands of the labor market in accordance with changes in technology such as the increasing spread of "green technologies."

Special Recommendations Based on General Rules. An advantage of the World Bank's texts, compared to the often complicated texts of European experts, is their transparency. The World Development Report identified three basic dimensions of spatial development: *density* (in relation to population and industry), *distance* (traveled by flows of people, goods, and capital), and *division* (not only the division of labor but also the division of countries and regions due to religious and cultural contradictions). These three indicators describe the action of the three driving forces that organize economic space: agglomeration, migration, and regional specialization. The accompanying regional disparities are supposed to be addressed through three types of public policies aimed at economic integration: institutions, infrastructure, and incentives. These policies are carried out at three levels of decision-making: local, national, and international. Based on the first letters of density, distance, and division, it was stylishly named the *3D approach*, which emphasizes the claim for universality.

The report presents regional policy recommendations in such a way that each government could easily create a recipe for growth in its country. Searching for the required recommendation becomes similar to manipulating Rubik's cube. What recommendations can be formulated for Russia? First, according to a table given in report [10], it is necessary to select a policy depending on the level of the problem (see table). The territorial level of the problem can be local, national, or international. Russia is currently facing regional development problems; therefore, the problem is of the national level. Next, there are three categories of troubled countries, depending on a set of problems faced by the country: countries with sparsely populated lagging areas, undivided countries with densely populated lagging areas, and divided countries with densely populated lagging areas.

In this classification, Russia belongs to the first category—countries with sparse lagging areas—along with Chile, China, Ghana, Honduras, Pakistan, Peru, Sri Lanka, Uganda, and Vietnam. Hence, Russian regional problems have only one dimension (1D), which is "economic distance," i.e., the lack of mobility of labor and capital. Two-dimensional problems—distance and high population density in lagging areas—have to be coped with by countries of the second category: Bangladesh, Brazil, Colombia, Egypt, Mexico, Thailand, and Turkey. The third category comprises countries that have yet to overcome domestic (political) division, such as India and Nigeria. Depending on the category, a nation is advised to use one, two, or three regional policy tools.

The recipe for Russia is found only in one cell of the table: the development of geographically neutral (spatially blind) institutions. These institutions are designed to liberalize labor and land markets, to guarantee security of life, and to ensure equal access to basic services financed through taxes and transfers, such as primary education, primary health care, adequate sewage systems, and clean drinking water. According to the World Bank, this policy is universal and should be applied in the same way in Russia and the Philippines, since these countries have a common feature, i.e., the presence of sparsely populated lagging areas. Although some advocates of the World Bank report recognize the utmost naiveté of this classification of countries and policies, they still believe that this approach may be useful for some poor African countries [30].

Rule of thumb for formulating adequate policy measures

Level of problem	Place type—local (L), national (N), and international (I) geographic scales	Policy priorities for economic integration		
		institutions	infrastructure	interventions
		spatially blind	spatially connective	spatially targeted
1-D	L. Areas of incipient urbanization N. Countries with sparsely populated lagging areas I. Regions close to world markets	•		
2-D	L. Areas of intermediate urbanization N. Countries with densely populated lagging areas I. Regions distant from world markets	•	•	
3-D	L. Areas of advanced urbanization that have within-city divisions N. Countries with densely populated lagging areas and domestic divisions I. Regions of small economies distant from world markets	•	•	•

Source: [10].

The World Bank's universal set of policies gives the following package of recommendations for Russia. There are no measures recommended for developing a geographically cohesive infrastructure or encouraging the development of individual regions. For Russia these table cells are empty. The countries of the second category, which have 2D problems, should build highways, railways, airports, harbors, and communication systems to facilitate the flows of goods, services, and people. Moreover, these "investments in connective infrastructure should be both well timed and located and come second," after the development of spatially blind institutions. As concerns spatially targeted interventions (incentives), they come in a policy package only for India and Nigeria as countries with 3D problems, i.e., density, distance, and division. Only in these severe cases is it allowed, e.g., to implement programs of slum clearance or encourage firms to locate their manufacturing sites in certain areas through fiscal incentives. Although the authors of the report recognize the inevitability of incentives for development of individual regions in particularly troubled countries of the third category, they strongly warn that these incentives "should be used least and last in order to avoid offsetting the unifying effects of common institutions and a spatially connective infrastructure.

Critics of the report call this typology "absurd or even dangerous abstractions if translated into policy" [30]. The "spatially blind" recommendations are proving "culturally blind." To see this, it suffices to look at the recent experience of the Peruvian government. In 2007–2008, it passed laws that, inter alia, removed restrictions on extraction of oil and other mineral resources, timber felling, and agricultural activities in the selva. These laws outraged the indigenous population of the Amazon selva, who protested against the commercial use of land they believed belonged to the tribes there. A protest movement began, which soon grew into bloody clashes with the police. Disgruntled Indians blocked off roads and almost completely locked out most of the Amazon region. In the end, the government was forced to withdraw their decrees, although they were fully consistent with the World Bank's advice to liberalize the agricultural land market in lagging areas so that people could sell their assets and get money to move to the central agglomeration [31].

Speaking about the OECD, when this organization signs bilateral agreements with countries willing to use its experience, it does not prepare specific recommendations tailored to individual countries, although tries to popularize the achievements and lessons of cohesion policy. In addition to the aforementioned brochure [13], another, fairly thick book was published in Russian about the regional experience of the European Union [32]. Much more important is the generalization of the European practice, which allowed the identification of four key factors of regional growth: infrastructure, innovation, human capital, and agglomeration. In contrast to natural or geographical conditions, all of these factors are responsive to regional policy measures; moreover, all of them are complementary, which requires an integrated approach. The development of regional infrastructure does not automatically lead to economic growth in the region; it should be accompanied by investment in innovation and education. Human capital is able to maintain growth in regions of all types. Innovation is also crucial for sustainable regional growth. The positive effect of these factors is not immediately evident: it may three to five years for infrastructure, five years for human capital, and ten years for innovation. As to the fourth factor of growth—the agglomeration effects—they are neither necessary nor sufficient conditions for achieving sustained growth. Considering the observed divergence in the growth rate of urban areas and the fact that, in 1995–2005, only in 45% of these areas was the economy growing at rates higher than the national average, the OECD believes that in some cases agglomeration is more effective, in the others, agglomeration is less effective [11].

Issues and Objectives of Regional Policy. The OECD report provides interesting material to assess the relationship between the issues faced by a country and the type of regional policy chosen by that country. The report describes, in a standardized form, the key issues and features of regional policy in OECD countries [20]. Of the 30 countries in the sample, the vast majority report a growing or persistent regional inequality as a problem of the national economy regardless of the actual regional disparities in the GDP per capita measured by the Gini coefficient. The leaders in regional inequality are Brazil, Slovakia, Mexico, Chile, and Turkey (their Gini coefficients range from 0.29 to 0.23), and the countries that conclude the list are Japan, Sweden, France, the Netherlands, and South Korea (from 0.083 to 0.05). Interestingly, South Korea, which has the lowest coefficient in the sample (0.05), believes, nevertheless, that it has a problem of regional disparities. An exception is the Netherlands (the Gini coefficient is 0.06): this country believes that their main problem is insufficient growth, not inequality.

Although the majority of the nations recognize the importance of the problem, only ten of them put the reduction of regional disparities or achieving a more balanced regional development on the list of their regional policy objectives. Thirteen countries cite encouraging growth, unleashing potential, and improving competitiveness of regional economies as the main objectives, and six of these countries are at the bottom of the list ordered by the level of regional differentiation, i.e., among the least troubled nations in terms of regional disparities.

What objective does Russia choose against the backdrop of a continued growth of regional disparities? S.S. Artobolevskiy rightly points out that the enthusiasm for the policy of "poles of growth" has blocked the development of regional policy in Russia for a long time to come [33]. Nevertheless, the latest revision of regional policy objectives in the State Program on Regional Policy and Federative Relations inspires some optimism. As noted by the Minister of Regional Development I.N. Slyunyaev, "The essence of state regional policy today is to ensure balanced development of federal subjects so that we will not have lagging areas that exist separately from the plans of the entire country" [34]. The regional policy objectives cited in this program, i.e., "balanced development, the strengthening of financial independence, and unleashing the investment potential of subjects of the Russian Federation," are consistent with the current terms in regional policy carried out in OECD countries, not with the World Bank's recommendations. However, Russia still has no strategy for spatial development of the economy, and the problem of finding a coherent formulation for the principles and mechanisms of regional policy remains unresolved.

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