

TERRITORIAL ORGANIZATION AND MANAGEMENT

DOI: 10.15838/ptd.2026.1.141.2

UDC 338.984

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TERRITORIAL-ECONOMIC PROCESSES AND RELATIONS (THEORY AND ITS PRACTICAL APPLICATION)



VITALIY N. LAZHENTSEV

Institute of Socio-Economic and Energy Problems of the North, Komi Science Center,
Ural Branch RAS
Syktyvkar, Russian Federation
e-mail: vnl1940@gmail.com

Territorial-economic processes are considered within the framework of the theory of regional organization of the productive forces of society and the formation of territorial-production complexes. The importance of socio-economic structures, which are represented differently in different parts of the country and taken into account in regional policy, is demonstrated. Economic relations are a mechanism for territorial development, regulated by laws and other regulations. Various circumstances play a significant role, sometimes dramatically altering the concept of the spatial configuration of the national economy. The parties to economic relations regarding territorial development are federal and regional government bodies, local governments, and enterprises. The four lines of interaction are revealed: center–region, region–municipality, region–region, and region–enterprise. The primary instrument for regulating these relationships is contracts, including subcontracts and subcontracting. The contractual form of cooperation corresponds to the need for mutual coordination between large, medium and small businesses, as well as the need to “adapt” the location of production to the population settlement system.

Territorial processes, economic relations, lines of communication, economic federalism, local government, interregional cooperation, enterprise, contracts.

For citation: Lazhentsev V.N. (2026). Territorial-economic processes and relations (theory and its practical application). *Problems of Territory's Development*, 30(1), 15–29. DOI: 10.15838/ptd.2026.1.141.2

Introduction

An earlier work by the author (Lazhentsev, 2024) examined specific relations concerning territory as a resource for the economic activities of households, enterprises, and local and regional governance systems. It was assumed that this sufficed for a scholarly explication of the essence of territorial issues. However, a comprehensive examination of spatial development problems undertaken by the editorial board of the journal “Problems of Territory’s Development”¹ revealed new, broader aspects of the territorial organization of the Russian state and its national economy. The issues addressed included federalism, spatial heterogeneity of population well-being, interregional cooperation, the formation of regional governance institutions, the impact of technology on urban development, and others. This served as an impetus to continue the work cited above, now incorporating not only its economic-geographical but also its political-economic and legal dimensions.

Another precondition for writing this article is connected to a fundamental publication by RAS Academician A.G. Aganbegyan, titled “Three Main Socio-Economic Challenges Facing Russia and 15 Response Steps”². Among the strategic problems he examined, the issue of consolidating regions and transitioning them to a system of self-sufficiency, self-financing, and self-governance was identified – a matter that requires broad scholarly discussion.

This article attempts to systematize and critically analyze spatial and territorial economic processes and relations with the aim of improving regional governance.

The conceptual content of spatial and territorial processes

The theory of economic geography rests on three fundamental postulates:

– natural-historical processes of interaction between nature and society give rise to territorial integrated systems of “nature – population – economy” of varying geographical scale;

– the geographical division of labor is accompanied by the economic specialization of countries and regions, the territorial concentration of specific types of production and their combination, as well as intra- and interregional cooperation;

– the spatial structure of the global and national economy is dynamic, albeit with varying degrees of dynamism depending on the level and pace of development of productive forces and social relations.

These postulates warrant reiteration only because their very fundamentality is being transformed at an accelerating pace, giving rise to problems – including the search for new forms of spatial organization of production and of society as a whole. The problematic nature is determined by the simultaneous operation of two groups of factors acting in the direction of both contraction and expansion of socio-economic space.

The first direction is predetermined by the dynamics of the forms and content of the social organization of production. For instance, the concentration of production within a techno-economic paradigm dominated by microelectronic systems and information technologies exhibits entirely different spatial characteristics compared to the “coal and steel” paradigm, with its concentration of industry in gigantic integrated plants, cartels, and trusts. Reductions in unit consumption of energy, raw materials, and supplies, along with positive shifts in consumption patterns, lead to a contraction of economic space and, consequently, to a densification of production and population in regions with favorable climatic conditions.

¹ Problems of Territory’s Development. 2025. Vol. 29. Issue 5.

² Economic Strategies. 2022. Issue 6; 2023. Issue 1.

The second direction is associated with the growth in absolute consumption of food, fuel and energy, mineral resources, timber, and other biological resources; with the increasing significance of environmental protection, recreation and tourism, ethno-culture and traditional forms of economic activity; and with the development of transit infrastructure. The expansion of economic space becomes inevitable. Production and population move into new territories, often under unfavorable natural and climatic conditions. Yet even this type of spatial dynamics is undergoing substantial change. Scientific and technological progress makes it possible to minimize social costs associated with the development of new territories through low-labor technologies, high labor productivity in primary, auxiliary, and service sectors, as well as through sustained cooperation between enterprises, regions, and countries.

At present, Russia's main objectives are to preserve territorial sovereignty, ensure the rational allocation of productive forces, manage population settlement and migration, develop backbone transport corridors, utilize space monitoring, and equalize levels of social welfare across its diverse regions. These objectives also encompass issues of ethno-cultural development, geopolitics, and national security. At the regional level, primary attention is devoted to the balanced use of shared resources, the formation of hub-and-spoke networks, and the coordination of economic agents' activities. The local (municipal) economy is closely intertwined with the formation and development of territorial communities and their aspiration to live in prosperity and a favorable environment. In the economy of plants, factories, and other enterprise forms, territory and its resources are regarded as an asset (a fixed asset), whose reproduction is carried out through depreciation of natural

capital and private investment in social and environmental infrastructure.

The conceptual content of spatial and territorial relations

The content of these relations is largely predetermined by the geographical location of natural and intellectual resources, historical legacies, technological "transitions", and economic feasibility.

The principal driving force of territorial development is commodity-money relations, which are objective in nature. At the same time, the economy is subject-driven and, to a certain extent, subjective – shaped by the needs and interests of various actors: households, enterprises, the state, and local self-government bodies.

Within the activities of these actors, commodity-money relations assume concrete forms concerning property rights, natural resource management, pricing and tariff policy, monetary circulation, and cross-sectoral and interregional cooperation. Particular attention should be drawn to the regulatory function of the municipal economy, which is oriented not toward profit but toward the growth of collective-use resources and the provision of high-quality social services. It acts as a shock absorber against price and tariff increases by organizing unitary enterprises for the production of socially significant goods.

The totality of such relations constitutes a system, as their counterparties are interconnected as parts of a single process.

Territorially integrated economic entities without formal administrative status – such as nodes, agglomerations, complexes, economic regions, special economic zones, and territories of advanced development (TOR) – typically lack legal personality. Their development depends on the norms and rules of economic governance established at

the national level, as well as on the quality of planning and project organization. Here, the primary benchmark for improving norms and rules is the alignment of economic regulators with the natural-historical process of forming territorial economic complexes as specialized components of the national economy.

The relevance of regulating spatial and territorial economic processes and relations at the present stage

The author concurs with Professor A.N. Shvetsov that the unsystematic, haphazardly formed practice of regional (spatial) policy development has led to arbitrariness, backroom decision-making, and an absence of procedurally regulated justifications (Shvetsov, 2025). For our part, we note that the relevance of a systemic approach increases as territorial complexes themselves become more complex due to:

- the commercialization of structural divisions within state-owned and private corporations – divisions that are fundamental to the entire national economy and system-forming in most industrially developed regions of the Russian Federation;
- the growing number of economic agents connected to flagship, city-forming enterprises, which economically densifies the territory;
- the organizational formalization of environmental protection, social communication environments, and public safety as specialized economic activities;
- the refinement of methods for the economic valuation of space as a factor influencing economic activity.

Each decision-making center makes its own choices regarding its participation in territorial economic processes and relations. However, such decisions become more rational when a comprehensive territorial development plan is in place.

The regulation of territorial processes and relations is grounded in the hierarchical triad: “regularity – law – legal norm”. Yet the significance of rules operating beyond statutory law is gradually increasing. This is evident, for instance, in the near-ubiquitous adoption of corporate ethics codes and agreements between regional governments and business entities that explicitly address territorial relations. Documents of this kind substantially supplement the written norms of commercial (entrepreneurial) law.

At the same time, various circumstantial factors play a significant role in current affairs. The configuration of the country’s economic framework and its territorial economic systems – shaped by regularities, laws, and rules – can sometimes be drastically altered by circumstances. For example, under the influence of external causes, the Spatial Development Strategy of the Russian Federation for the Period up to 2030 has incorporated the category of “geostrategic territories”. These include (in whole or in part) 32 constituent entities of the Russian Federation (out of 89) – border regions of substantial importance for national security (19 in the European part and 13 in the Asian part). As a result, the Eurasian paradigm of Russia’s development has acquired a predominantly geopolitical meaning. The economic dimension of the shift to the East is receding into the background.

The significance of natural circumstances is increasing, as global climate warming and rising seismic activity pose threats to the safe livelihoods of millions of people. A natural factor such as the threat of drought in the steppe and forest-steppe zones may, paradoxically, have a positive impact on taiga territories, strengthening the economic positions of regions located there. The challenge of food security will, by necessity, be addressed through the reclamation of northern and eastern agricultural lands.

Both the positive and negative impacts of climate change necessitate preventive measures, substantial financial outlays, the development of a specialized insurance system, and the planning of population adaptation (Porfiriev, 2024). Under the influence of natural processes, the need to strengthen administrative and economic centralism becomes clearly discernible— notwithstanding the long-declared course toward decentralization of state governance and the growing role of local self-government.

The areal organization of the national economy

The propositions set forth above become a kind of guide to action when they are linked to the specific developmental characteristics of particular territories. These characteristics manifest themselves primarily in the multi-structured nature of the economy and its regional diversity.

It is worth recalling that more than a century ago (following the October Revolution of 1917), the tasks of economic development – based on scientific and technological achievements – were addressed with due regard for the actual socio-economic structures in existence: the natural peasant economy; small-scale commodity production; private economic capitalism; state capitalism; and socialism (Lenin, 1921). Areal differences in this multi-structured composition played a crucial role in the implementation of such political undertakings as the development and execution of the GOELRO Plan, the temporary transition to the New Economic Policy (NEP), industrialization and collectivization, the elimination of illiteracy, and others.

Economic relations from an areal perspective were first examined comprehensively and from a scientific standpoint by V.I. Lenin in his work “The Development of Capitalism in Russia” (Lenin, 1899). This study demonstrated the objective necessity of economic regionalization for individual types of economic activity and their territorial combinations, and, most importantly, for the organization of a unified

domestic Russian market. Analyzing this work, Professor V.M. Chetyrkin formulated two propositions of fundamental importance for economic geography: (1) the areal organization of society’s productive forces is a regularity; and (2) what is regionalized is not things, but the economic relations concerning the creation and use of things (Chetyrkin, 1957).

At the present time, when Russia’s economy is justifiably regarded as predominantly capitalist, it would be prudent to reassess the significance of this cited scientific monograph by V.I. Lenin. This is particularly relevant with respect to the theory of surplus value realization within the framework of the domestic market.

The realization of surplus value within a capitalist Russia – historically a subject of debate between Social Democrats and Populists (Narodniks) – is entirely possible provided there exists a ramified production structure, its rational spatial distribution, scientific and technological endowment, the organization of interlinkages between socio-economic structures, and growth in household incomes and purchasing power. Moreover, it is possible under the condition that vertical and horizontal technological linkages are equal in significance, which elevates the role of the territorial factor (Kryukov, Kryukov, 2024). Under such circumstances, the factor of international trade ceases to be the primary means of realizing surplus value generated by the Russian economy.

Russia has undergone and continues to undergo fundamental transformations in its socio-economic development, yet the diversity of economic activity forms across its vast territory has persisted. Thus, the natural economy and small-scale commodity production remain present as enclaves within the overall economic structure – manifesting as individual entrepreneurship, handicrafts, subsistence hunting and fishing, auxiliary household plots, and dacha farming. Alongside historically acquired artisanal skills, a significant role is played by the psychology of survival during the hardships of perestroika,

revolutionary reforms, and the confluence of various adverse circumstances. In this connection, it should be noted that many territories of the North, Siberia, and the Far East lack large-scale industrial production. Their populations subsist primarily on natural economy, traditional trades, and pensions. Yet precisely this state of the economy is often interpreted as post-industrial – a phenomenon justly recorded as a geographical paradox (Treyvish, 2025).

Every country experiences a period during which the leading socio-economic structures shift. In Russia, the state sector of the economy has once again acquired primary importance, its share in GDP over the past decade amounting to 48–56%. According to World Bank estimates, enterprises and organizations subordinate to the state currently produce 71% of Russia's GDP. By the logic of a functioning market economy, however, this share should not exceed 40%. For comparison, according to International Monetary Fund data for 2022, total government expenditures as a share of GDP in the United States are estimated at 37%. Against this backdrop, the general direction is defined as “the transformation of Russia's socio-economic system into a developed system of a market-based private-property economy within the framework of a social state” (Aganbegyan, 2023, p. 9).

The locomotive of the Russian economy at present is constituted by state corporations and public-private companies – the pillars of major cities and agglomerations, and the foundation for the formation of program-targeted territorial production complexes (TPCs). This fact is consistent with contemporary trends in territorial development, but only partially. Beyond the purview of large capital – especially of the state-oligarchic variety – remain many spheres of the economy and peripheral territories with their traditional agricultural, subsistence, and artisanal economies, as well as small and medium-sized businesses. It is precisely into these domains that private capitalist enterprise penetrates, thereby

contributing to the integrated development of districts. This fact, however, does not resolve the difficulty of reconciling a capitalist economy with social justice.

The territorial dimension and regional organization of the economy

All types and forms of socio-economic activity can be examined in a territorial dimension – that is, disaggregated by the country's districts. However, only a certain portion of these activities constitutes a function of the regions themselves.

The territorial dimension of strategic planning is the prerogative of the central government and corporate structures, implemented through the framework of the major economic regions – now superseded by federal districts. This substitution is not equivalent, but it is a reality that must be reckoned with.

The central node of territorial development has become the constituent entities of the Russian Federation: republics, krais, oblasts, the autonomous oblast, and four autonomous okrugs. These have acquired the designation “region”, although their essential districtological (raionological) nature remains unchanged: they are districts of oblast-level rank, subdistricts of the major economic regions.

Intra-oblast economic regionalization, once mandatory for the development of district planning projects, has now given way to administrative-territorial transformations of urban okrugs and municipal districts. Nevertheless, it has retained its significance as a method of inter-municipal integration.

At the regional level, territorial development is considerably more detailed than the territorial dimension of the national economy. It is at the regional level that the coordination of individual economic entities takes place with respect to labor and natural resources, energy, water consumption, the construction industry, transport, education and healthcare, culture, and so forth. Land cadastres are compiled, indicating the functional designation of land plots, identifying promising industrial

sites, zones for the disposal of industrial and municipal waste, as well as recreational and specially protected areas. All this information is incorporated into geographic information systems (GIS) and constitutes a crucial object of regional governance.

In addition to regional governments, the aforementioned range of functions involves municipalities and Territorial Public Self-Government (TPSG). However, these bodies also have a “personal” mission of their own. For municipalities, it is the infrastructural provision of the daily livelihoods of the population and the local economy; for TPSGs, it encompasses the formation of homeowners’ associations, the planning and improvement of residential areas, landscape architecture, community clean-up days (subbotniks), and other activities characteristic of territorial communities.

Theoretically, it can be argued that the district of oblast-level rank constitutes the basic unit of the territorial organization of Russian society. It is therefore regarded in this study as a kind of starting point for the organization of economic relations along the lines of interaction between the regional government and central authorities, local self-government, other regions, and enterprises.

Center – region: The relations of economic federalism

These relations are enshrined in the Constitution of the Russian Federation in the form of powers and competencies; consequently, their actual implementation is typically assessed against constitutional provisions³ (Leksin, Shvetsov, 2012; Bukhvald, 2025). From the perspective of our research focus, such a

comparison is predicated on an assessment of the ability of the constituent entities of the Russian Federation to ensure their own integrated and balanced development. Scholars and practitioners of regional governance note that this capacity is at a low level and continues to decline. There are specific reasons for this.

Contemporary Russian federalism is characterized by excessive centralization of state power, the saturation of regions with federal agencies, the endowment of constituent entities and municipalities with powers on a residual basis, and the ambiguous position of local self-government in relation to state governance. Constituent entities of the Russian Federation and municipalities are “short-changed” in terms of property ownership, particularly with regard to land, natural resources, and financial resources⁴. This phenomenon is not unique to the Russian Federation. “Young federations, developing countries, and transition economies exhibit a relatively high level of budget revenue centralization and make more active use of vertical transfers” (Kolmak, Sumskaia, 2020, p. 91).

Regional governments seek to increase the volume of federal financing for their regions through “shuttle diplomacy” aimed at securing participation in the formulation and implementation of national programs and projects. Municipalities strive to structure their relations with state authorities so as to obtain as many grants, subventions, and subsidies as possible. In both cases, heads of regions and municipalities approach higher authorities “cap in hand”. What was once considered unbecoming has become the norm of economic behavior. The professional competence of managers is assessed by their ability to “muscle out” funding and “cut backroom deals”.

³ Russian Federalism: Economic and Legal Problems (2008). Institute of Economics, Russian Academy of Sciences; Center for the Economics of Federal Relations; Executive Editor S.D. Valentey. Saint Petersburg: Aletheia. 320 p.

⁴ In 2023, the share of gratuitous transfers in the revenues of the budgets of constituent entities of the Russian Federation was: on average – 19.8%; for the city of Moscow – 1.8%; in the Komi Republic – 12.0%; in the Vologda Region – 14.2%; in the Republic of Crimea – 68.0%; in the Chechen Republic – 82.0%. Source: Regions of Russia. Socio-Economic Indicators. 2024: Statistical Compendium. Rosstat. Moscow, 2024. P. 953.

In the revenues of municipal budgets, grants are the primary source. Consequently, municipalities are advised to optimize not the budgets themselves, but rather the financing of local budget deficits and the servicing of debt obligations. It is assumed that municipalities should increase their activity in managing municipal property and in the credit sphere (Kachanova, 2024).

In “classical” federations, disagreements and conflicts between the central government and regions (states, Länder, etc.) are resolved through judicial proceedings. In the Russian Federation, such a procedure, while not excluded, is effectively not applied. The latter is a sign of dysfunction in the system of federal relations, where subordination prevails over coordination.

Academician A.G. Aganbegyan writes: “The essence of radically reforming regional governance lies in transitioning regions to a system of self-sufficiency, self-financing, and self-government. To achieve this, a significant portion of the revenues of enterprises and organizations must be retained in the region, with the share of financial resources remitted to the center greatly reduced. Enterprises and organizations in approximately two-thirds of the constituent entities of the Federation remit to the center taxes and levies substantially exceeding the subsidies and other payments received from the center... Over time, it would be possible to consolidate many regions, forming 20–30 large gubernias and autonomous republics in Russia – three to four times fewer than at present. Without a genuine commitment on the part of each region to boosting its economy and social sphere, and to increasing investment in its fixed and human capital, we will not achieve any significant economic growth” (Aganbegyan, 2023, p. 14).

As can be seen, the areal organization of society, the economy, and governance is a matter of serious consequence. The general direction would seem clear, yet its examination through the prism of current circumstances entails the search for answers to a number of complex questions. Among them are the following:

– Will the federal government be able to fulfill its powers if its budget receives fewer taxes and levies than those retained by the regions?

Presumably, it could – provided the efficiency of the economy itself is substantially increased, thereby expanding the overall tax base.

– Will regional governments and municipalities be able to materialize the revenues of their increased budgets in accordance with the nationwide proportions and trends of socio-economic development? Theoretically, this is possible, provided there is a redistribution of powers increasing the competencies of regions and municipalities, but, above all, on condition that the forms and methods of regional and local governance are fundamentally transformed.

– How should the concepts of “self-sufficiency” and “self-financing” be interpreted when applied to regions? If these concepts are considered within the framework of regional accounting that encompasses the entire economic turnover of a given region, it would appear that the region as a whole constitutes a subject of economic activity. This is a characteristic error – the reification (personification) of the region – whereby the region is credited with achievements or blamed for shortcomings in the process of social reproduction. The region (represented by its government) is, indeed, an economic actor, but only with respect to regional (sub-federal and municipal) property and the powers vested in it.

– What measures are necessary to expand the capacity of the regional government as an economic actor? First and foremost – to increase the volume of regional property and intensify its use on a commercial basis⁵. It is also desirable to systematically organize engagement with monetary and financial institutions – banks, investment funds, stock exchanges, and others. This would enable regional governance to participate in addressing the issue of inter-sectoral and interregional capital flows, without

⁵ For example, sub-federal and municipal ownership of land constitutes only 3.8% of total land ownership in the Russian Federation. Source: State (National) Report on the Condition and Use of Lands in the Russian Federation in 2023. Available at: <https://base.garant.ru/410503214/> (accessed: 31.05.2025).

which a capitalist economy itself is considered incomplete⁶.

– What changes in the territorial-political structure of the country would be required to introduce gubernias as constituent entities of the Federation into its framework? The author of this article has no substantiated answer to this question and therefore leaves it open. Let us merely record our concern regarding the current circumstance, in which a retreat from the policy of developing the federal form of national statehood in favor of its unitary form is discernible, despite the fact that the economic potential of federal relations has not yet been exhausted (Valentej, 2025). In this regard, the reference by historians to the persistence of the imperial idea among the state and the peoples of Russia serves as a kind of warning (Yachin et al., 2023). However, there is also an authoritative opinion that “the preservation of the existing structure of Russian statehood in its current form is probable, at least in the medium term” (Kolesnikov, Uglanova, 2023, p. 136).

Region – municipality: Relations between state authority and local self-government

Municipal formations are regarded as problematic objects of regional policy (Chistobaev, 2022). One of the problems is the search for an optimal balance between social (civic) and state principles in the organization of territorial economic management at the local level.

In Russia, district and okrug-level municipalities exhibit predominantly state governance characteristics by virtue of their de facto direct subordination to regional authorities. The predominance of civic (social) governance principles has largely remained at the level of rural and settlement administrations, as well as Territorial Public Self-Government (TPSG)

bodies. It follows from this that economic relations between the regional and municipal levels of governance are, in essence, structured as intra-state relations. In such a case, the consolidated budget of a constituent entity of the Russian Federation becomes unitary and must be distributed across the region, its urban okrugs, and municipal districts in accordance with the taxes and levies assigned to them, as well as the normative deductions from the regional budget.

Regional governance is also responsible for organizing inter-municipal cooperation, taking into account the principles, methods, and directions proposed by academic research (Voroshilov, 2021).

Region – region: Interregional cooperation

Under the influence of the entrenched spatial disparities in Russia’s national economy and driven by the tendency of constituent entities toward economic autarky, scholarship has come to frame interregional cooperation as any movement toward the unity of the domestic market, including the vast northern territories (Kozhevnikov, 2025). This approach is reasonable; consequently, the unity of Russia’s market space should serve as the primary benchmark for organizing interaction between regions.

At the tactical level, the subject matter of interregional cooperation is defined as specific actions in the following areas:

- formation of balanced rural settlement systems;
- natural resource management and environmental protection within the boundaries of large geosystems (physiographic provinces or regions);
- solid waste disposal;
- hydraulic engineering construction on rivers of the first and second order;

⁶ The following fact serves as an illustration. In 2024, Moscow’s share was: in the population of the Russian Federation – 9%; in the volume of shipped goods (including works and services) – 11%; in GDP – 20%; in deposits held by credit institutions – 45%, including 66% of legal entity deposits and 32% of individual deposits. Per 1 million residents, deposits in Moscow are 8.6 times higher than the Russian average, including 14.2 times higher for legal entities and 5.6 times higher for individuals. Source: Regions of Russia. Socio-Economic Indicators. 2024: Statistical Compendium. Rosstat. Moscow, 2024. Pp. 45, 465, 574, 995.

Of the 354 head offices of commercial banks in the Russian Federation, 187 (53%) are registered in Moscow; 26 regions have no bank head offices at all (Domashchenko, 2023, p. 139).

- development of interregional power distribution systems;
- construction and repair of “junction” sections of roads;
- fiber-optic communications;
- organization of tourism, sports, and cultural events;
- development of balances of production and consumption of construction materials and locally produced foodstuffs.

The institutional frameworks for managing interregional cooperation include agreements between regional governments and various kinds of alliances. Among the initiatives known to the author, particular significance should be attributed to such examples as the “Komi-Nenets Reindeer Herding Agreement”, the “Yenisei Siberia” program, the “Tomsk-Kemerovo Project”, and “Northeast Asian Russia”. From a scholarly perspective, the Asian Northeast has been examined with particular thoroughness, including a detailed analysis of the mechanisms of organizational and managerial coordination (Krasnopolsky, 2023).

Region – enterprise: Relations between regional authorities and enterprises

In socio-economic development, the foundational relations between regions and enterprises are labor relations (employment and job quality) and fiscal (tax) relations. However, in both the theory and practice of regional governance, direct and indirect regulation is also exercised through regional normative legal acts, monitoring compliance with norms and standards, licensing, economic incentives to attract private investment in the construction and management of educational, healthcare, transport, and energy facilities.

The projection of such relations onto the problematic of territorial development “illuminates” a number of key issues related to the economic behavior of entrepreneurs, the expansion of the operational sphere of small and medium businesses, and the alignment of production siting with population settlement patterns.

Large corporations, as a rule, establish themselves on a territory thoroughly, actively participating in the construction of social and environmental infrastructure. Overtime, however, their activity declines, as problems of internal capital reproduction arise. RAS Academician V.I. Maevsky has framed this problematic as a “switching mode of reproduction”, wherein the renewal of fixed assets and other capital stock occurs incrementally, reflecting their non-simultaneous aging (Maevsky, 2025).

The “switching” phase requires particular attention from regional authorities, who must understand the specific nature of the moment and refrain from compelling enterprises to engage in excessive territorial development activity. It is also important to ascertain whether the economic behavior of the enterprise itself is aligned with the objectives of technological modernization. One frequently observes instances where an enterprise’s depreciation fund is used for purposes other than its intended one – figuratively speaking, “eaten away” – thereby infringing upon the interests of the region. Examples of such corporate misconduct demonstrate how critical the response of regional governments is in defending their regions’ interests (Ilyin et al., 2021).

The issue of economic behavior also has an opposite variant, wherein enterprises undertake no territorial development whatsoever. This is frequently observed in the organization of logging operations. “Fly-in” brigades harvest up to 10,000–15,000 cubic meters of timber per year, transporting it outside the region (for instance, to the Moscow suburbs for dacha construction), while contributing nothing to the construction of logging roads or social infrastructure. The region, in turn, receives a paltry share of the revenue from the sale of “stumpage”, yet enhances its rating as an “organizer” of small business.

The use of “small business” as a performance indicator for regional governments and municipalities leads to formalism – mere “box-ticking” – but, more importantly, it diverts attention from the actual foundations of organizing this form of production. The classics

of political economy long ago demonstrated the significant role played in the development of large-scale industry by the process of isolating individual production operations within the framework of general cooperation. At present, this occurs by virtue of the economic feasibility of organizing miniature enterprises operating under subcontracting arrangements with a parent firm. Small business is also possible without rigid technological determinism, based instead on subcontracting for the performance of specific types of work not intrinsic to the customer's specialization.

The interrelation of large, medium, and small business is of interest to regional governance with regard to the regulation of the distribution of production across settlement hierarchy levels. In regions where manufacturing industry is concentrated, it is necessary to align head production facilities located in large cities with ancillary and service operations, which it is rational to site in small urban settlements. In the conditions of the Arctic and the North, the scheme of interrelation between enterprises and settlements presupposes the creation of large processing centers for minerals extracted at mines, pits, and fishing grounds within a radius of up to 100–150 km.

Diversification of the production-technological structure of enterprises and the formation of an appropriate topology for the siting of large, medium, and small businesses constitute a critical task for both regional and corporate governance.

Conclusion

The theory of territorial development is a subject of socio-economic geography. It is in this capacity that it continues to evolve, incorporating new characteristics of spatial socio-economic systems. At the same time, the theory derives significant increments from the assimilation of knowledge from adjacent disciplines – knowledge necessary for elucidating the essence of the economic and legal mechanisms governing the siting of society's productive forces.

The transition from theory to practice is effectuated through the concretization of territorial processes and the corresponding economic relations. This can be achieved by various methods, including the method of systematizing relations along four lines of interconnection between the counterparties of regional government: federal authority, local self-government, the leadership of neighboring regions, and corporate governance.

Each of these lines captures a problematic situation in the regulation of economic relations. Federal line: the “short-changing” of regions and municipalities with respect to property and budgetary resources. Municipal line: the ambiguity in the correlation between state governance and self-governance. Interregional line: the lack of awareness of the significance of horizontal cooperation as a social form of economic activity. Corporate (firm-level) line: the multidirectional nature of the economic behavior of enterprises of various organizational forms, and the low level of formalization of their relations with regional governing bodies.

Contracts and agreements play a pivotal role in territorial economic relations. The near-total absence of agreements between federal and regional governments, between regional governments and municipalities, and between neighboring regions for the resolution of specific problems impedes their solution or renders it impossible. There is a need to render more concrete the existing system of contractual relations between regional governments and business structures. Within the framework of corporate governance, the use of subcontracting and sub-supply arrangements should be expanded. This would enable the systematic organization of interconnections between large, medium, and small businesses and would accelerate the process of forming territorial production complexes within the boundaries of existing population settlement systems.

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INFORMATION ABOUT THE AUTHOR

Vitaly N. Lazhentsev – Doctor of Sciences (Geography), RAS Corresponding Member, Chief Researcher, Institute of Socio-Economic and Energy Problems of the North, Komi Science Center, Ural Branch of the Russian Academy of Sciences (26, Kommunisticheskaya Street, Syktyvkar, 167982, Russian Federation; e-mail: vnl1940@gmail.com)

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ИНФОРМАЦИЯ ОБ АВТОРЕ

Виталий Николаевич Лаженцев – доктор географических наук, член-корреспондент РАН, главный научный сотрудник, Институт социально-экономических и энергетических проблем Севера, ФИЦ Коми научный центр УрО РАН (Российская Федерация, 167982, г. Сыктывкар, ул. Коммунистическая, д. 26); e-mail: vn1940@gmail.com