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THE IMPACT OF MARKET-ORIENTED MANAGEMENT ON REGIONAL DEVELOPMENT

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Abstract. The article presents a comprehensive analysis of the impact of a market-oriented approach on regional development, outlining its challenges for the public administration system and examining mechanisms for minimizing socio-economic disparities. The study is based on an interdisciplinary approach that integrates economic modeling methods, comparative analysis of international experience, and regulatory assessment of regional strategy. The findings indicate that, without appropriate government intervention, market mechanisms may exacerbate territorial inequality by concentrating capital in economically developed regions. The study substantiates the necessity of implementing a balanced policy that includes infrastructure investments, targeted support for peripheral areas, and the integration of innovative clusters. The conclusions provide recommendations for optimizing state regional policy to achieve sustainable development and economic convergence.

Points for Practitioners

Regional governance professionals can utilize the presented findings to optimize regional development policies, ensuring a balance between market mechanisms and state regulation. It is crucial to understand that market-oriented management is facilitated by well-developed institutional/neoinstitutional mechanisms and flexible governmental support for weaker regions.

The necessity of strategic investment management. Regional development requires active capital engagement, particularly through the creation of a favorable investment climate. To achieve this, government authorities should minimize bureaucratic barriers and develop financial incentives for businesses, focusing on long-term economic benefits.

Infrastructure development as a key factor in addressing regional disparities. The state should promote the financing of infrastructure projects in less developed regions to enhance their competitiveness and reduce economic gaps between regions.

A flexible combination of market mechanisms and state support. Excessive government intervention may restrict competition, whereas a complete withdrawal from regulation could deepen socio-economic inequality. A balanced approach is necessary to ensure a fair distribution of resources without stifling market-driven initiatives.

Engaging local communities and businesses in decision-making processes. Effective regional governance is only possible with the broad involvement of stakeholders, enabling policies to be better adapted to the real needs of the population and businesses.

Stimulating Innovation and Digital Transformation. The use of modern technologies, particularly artificial intelligence and big data, enables the optimization of management processes, including the analysis of conditions and needs through IT capabilities and technological advancements. This, in turn, allows for the development of more effective and flexible regional strategies.

The implementation of these approaches can promote more balanced regional development, reduce economic polarization, and ensure stable socio-economic growth across all regions of the country.

Key words: market-oriented management, regional development, public administration, economic challenges, regional economic disparities.

Introduction. In many countries and under modern conditions, market orientation is considered a key instrument of public policy aimed at stimulating economic activity, attracting investment, and enhancing territorial competitiveness. However, its implementation is accompanied by significant risks, including the intensification of internal regional disparities and, consequently, the growth of social inequality.

Economic inequality among regions is one of the major challenges in public administration, directly affecting a country's socio-economic development. Disparities in income levels, access to quality infrastructure, social services, and business opportunities create serious obstacles to ensuring the effective functioning of the state as a whole.

The objective of this study is to analyze the impact of market-oriented management on regional development and to identify mechanisms that can help reduce economic inequality and regional disparities.

The research tasks include examining the effects of market-oriented management on regional development to test the hypothesis that, under modern conditions, a reasonable (moderate) level of state intervention in regional development is beneficial. Additionally, it seeks to determine the areas in which such intervention is necessary. It is essential to establish the domains where government regulation is required to minimize negative effects and ensure balanced development. Based on the obtained data, policy directions will be developed to optimize government involvement in creating favorable conditions for equitable and sustainable development.

Relevance of the Topic for Public Administration and Regional Development

A market-oriented approach is a dominant economic development strategy in many countries worldwide, particularly in the United States and some European Union countries. It is based on the principle of minimal state intervention and the creation of a favorable environment for entrepreneurship and investment. However, in certain countries, including Ukraine and others with excessive state intervention, the application of this approach faces several challenges that require a comprehensive analysis and the search for a reasonable balance.

Regional disparities can lead to social instability, mass migration, and a decline in a region's investment attractiveness. In this context, it is crucial to determine how the state can effectively combine market mechanisms with regulatory instruments to minimize risks and promote the harmonious development of all regions. Effective regional governance likely requires a systemic approach, potentially including the development of transportation infrastructure, support for small and medium-sized enterprises, the attraction of foreign direct investment, and the creation of conditions for innovation-driven growth. The issue of challenges associated with the consequences of territorial disparities is particularly relevant.

Thus, studying this topic is essential for shaping effective public policy and developing practical recommendations to reduce regional disparities and ensure the sustainable socio-economic development of the country.

Literature review. As a result of the application of a market-oriented approach, market-oriented development is a key direction of economic policy aimed at ensuring sustainable growth, efficient resource allocation, and regional competitiveness. Its theoretical justification is based on various economic approaches, each offering its own perspective on market interaction mechanisms, the role of the state, and institutions. Approaches to market-oriented development represent conceptual frameworks or theoretical foundations that explain market functioning mechanisms and define economic development strategies. These approaches encompass different economic schools of thought and their views on the role of the state, market dynamics, competition, entrepreneurship, and institutions. An analysis of existing theoretical approaches allows for an assessment of their potential and limitations in shaping an effective development strategy, taking into account contemporary economic challenges and regional specificities.

Thus, for example, neoclassical economic theory, which emphasizes the importance of market mechanisms for efficient resource allocation and economic growth stimulation, remains influential in modern economic science. Over the past six months, a number of economists have continued to support and develop its core principles. In the article "Neoclassical Economic Theory and Contemporary Challenges" (Gudz, 2020: 71), the authors analyze the development of neoclassical economic theory, highlighting its adaptation to new economic realities and challenges. The textbook "Fundamentals of Economic Theory" (Revak et al., 2019: 25) explores the key principles and categories of neoclassical economics, including the concept of utility and the role of market mechanisms in ensuring economic efficiency. Neoclassical economic theory remains a leading framework for analyzing the efficiency of market mechanisms and the role of government intervention in the economy.

Institutional Economics emphasizes the importance of institutions – rules, laws, and social norms – for market efficiency. Over the past seven years, a number of authors have continued to develop and support this theory. For example, the article "Institutional Economics" (Tkach, 2007: 15) examines modern approaches and modifications of institutional theory, particularly its interaction with other economic schools and its adaptation to contemporary economic conditions. Institutional economics provides a framework for analyzing the role of institutions in ensuring economic efficiency and development.

Endogenous Growth Theory highlights the significance of internal factors such as innovation, human capital, and technology in economic development. Over the past seven years, several authors have continued to advance and support this theory. For instance, in the article "The Evolution of Theoretical Trends in Endogenous Growth" (Shvets, 2021: 3), the authors analyze the development of endogenous growth theory, emphasizing its adaptation to new economic realities and challenges.

Additionally, the article "Foreign Economic Relations and Endogenous Growth Theory" (Kuznetsova & Dergachev, 2020: 130) examines the impact of foreign economic relations on endogenous growth, particularly the role of investments and technological exchange (Confmanagement Proc). Endogenous growth theory provides a framework for analyzing the role of innovation, human capital, and technology in ensuring economic efficiency and development.

The regulatory approach in economics emphasizes the importance of government intervention in ensuring social justice and reducing economic inequality. Over the past seven years, several authors have continued to develop and support this approach. For example, in the article "The Development of Ukraine's Economy Based on the Concept of the 'Magic Pentagon'" (Zadorozhnyuk et al., 2017: 205), the authors analyze key economic issues that hinder national economic growth and propose development strategies, particularly through state regulation. Additionally, in the monograph "Globalization Processes in the World Economy: Challenges and Prospects" (Borzenko, 2022: 18), the authors examine the characteristics of financial globalization and the role of state regulation in addressing modern economic challenges. The regulatory approach remains a significant framework for analyzing the role of government intervention in ensuring social justice and economic stability.

The theory of sustainable development has been significantly advanced by numerous scholars who emphasize the importance of integrating economic growth, social justice, and environmental sustainability. Joseph Stiglitz highlights the need to rethink traditional economic models to achieve sustainable development. He advocates for a shift in the approach to measuring economic well-being, considering not only financial indicators but also social and environmental factors, which are essential for the sustainable progress of society (Stiglitz, 2017: 7).

James H. Meadows, one of the authors of the seminal work "The Limits to Growth," identified the constraints of planetary resources and the limitations on continuous economic expansion. He stresses that sustainable development is only feasible within the ecological and resource capacities of the planet. Meadows argued that while technological progress can contribute to sustainability, meaningful change requires a transformation in consumption habits and the economic model itself (Meadows et al., 1972: 10).

Market-oriented regional development has been the subject of numerous academic studies analyzing the impact of market mechanisms on socio-economic dynamics. Theoretical approaches to this issue are based on the concepts of regional competitiveness (Porter, 1990: 118), and the theory of new economic geography. Research confirms that an effective market policy promotes investment attraction, optimal resource allocation, and increased productivity (Scott & Storpe,r, 2003: 585).

The practical application of market mechanisms in regional governance demonstrates both positive and negative outcomes. Research by Rodríguez-Pose (Rodríguez-Pose, 2013: 1035) indicates that the market model can exacerbate regional inequality if not accompanied by adequate government regulation and infrastructure support. Other scholars (Camagni & Capello, 2015: 1045) emphasize the need to integrate market approaches with state policies to ensure sustainable development.

The optimal application of theoretical approaches may vary depending on the specifics of socio-economic development and the strategic priorities of a particular country. The selection of the most appropriate development concepts depends on their ability to integrate harmoniously into national policy and contribute to achieving strategic development goals.

Numerous academic studies analyze issues related to ineffective governance, wage inequality, and population impoverishment, as well as explore pathways to achieving effective governance and equity for all citizens.

Thomas Piketty, in his book Capital in the Twenty-First Century, examines the rise of economic inequality worldwide, particularly as a result of ineffective governance and the concentration of wealth in the hands of a small group of individuals (Piketty, 2014: 89).

Joseph Stiglitz, in The Price of Inequality, explores how income inequality leads to social and economic problems and how effective policies can help mitigate this disparity (Stiglitz, 2012: 112).

Daniel Kaufmann, Aart Kraay, and Massimo Mastruzzi, in their work Governance Matters, analyze the impact of ineffective governance on economic development, using governance quality indicators such as corruption and political stability (Kaufmann et al., 2009: 22).

Daron Acemoglu and James A. Robinson, in Why Nations Fail, investigate how political and economic institutions influence a country's development, emphasizing the importance of inclusive institutions in achieving effective governance (Acemoglu & Robinson, 2012: 34). Amartya Sen, in Development as Freedom, highlights the significance of freedom and human rights for economic development and justice. He argues that justice and effective governance are inherently interconnected (Sen, 1999: 56).

Overall, research findings indicate that market mechanisms are a crucial tool in regional governance. However, their effectiveness largely depends on specific conditions, such as the presence of a stable legal system, institutional capacity, and the state's ability to ensure fair access to resources for all regions. At the same time, insufficient government regulation may exacerbate economic inequality, while excessive intervention can reduce the efficiency of market mechanisms.

Methods. To achieve the research objectives, an interdisciplinary approach was employed, integrating methods from economic analysis, sociological research, and public administration. The use of mixed methods enabled a comprehensive understanding of the impact of a market-oriented approach on regional development and facilitated the identification of key mechanisms for mitigating economic inequality.

The research methodology is based on both qualitative and quantitative analytical methods. A comparative analysis of international regional development experiences was conducted using data from national statistical agencies, the OECD, and the World Bank. Additionally, a correlation analysis of regional economic inequality indicators was performed to identify dependencies between market mechanisms and the level of socio-economic development.

Furthermore, an analysis of legal and regulatory documents governing regional policy in Ukraine and other countries, particularly in the European Union, was conducted. The comparative method was applied as a legitimate scientific tool to establish general empirical principles. Content analysis was used to assess the alignment of regional development strategies with contemporary economic imbalances. A case study approach was employed to examine regional economic development models in countries with varying degrees of state intervention, allowing for the identification of effective practices for balancing market mechanisms and government support. Additionally, a SWOT analysis was conducted to determine the strengths and weaknesses of the market-oriented approach in the context of regional development.

Research Limitations. Despite the use of a broad range of methods, certain limitations persist. Firstly, statistical data may contain inaccuracies or may not fully reflect the actual conditions in the regions. Secondly, the comparative analysis of international experiences must take into account the specific socio-economic and political contexts of each country, complicating the direct adaptation of successful practices.

Overall, the applied methods ensure an examination of the issue and allow for conclusions regarding the impact of the market-oriented approach on regional development and its implications for public administration in specific countries. The use of these methods facilitated the development of a generalized model of the market.

Results and Discussion. The theoretical approaches to market-oriented development in public administration across different countries reveal certain dominant trends that, however, vary significantly depending on the historical, economic, and social contexts of each state. In this regard, analyzing the theoretical frameworks in economically powerful European leaders such as Germany, France, Switzerland, and the United States, as well as Ukraine, is particularly important.

In Ukraine, institutional economics combined with elements of a market economy currently prevails, driven by the necessity to reform state institutions following the transition to market relations. Specifically, through the adaptation of European standards and legislative harmonization, Ukraine aims to establish a transparent and stable market, requiring increased attention to institutional changes. At the same time, due to significant economic challenges, theories supporting a strong role of the state, such as the regulatory approach, also remain effective in ensuring social stability and reducing economic inequality.

Germany is characterized by a social market approach, which serves as the foundation of its modern economy. This approach integrates market mechanisms with an active state role in ensuring social protection and equitable distribution of wealth. The social market theory emphasizes the importance of maintaining market stability while safeguarding the interests of socially vulnerable groups. However, one challenge associated with this approach is the high level of government spending on social support, which can negatively impact the state budget and the investment climate.

France, with its long tradition of state intervention in the economy, predominantly follows a mixed regulatory approach. The French model traditionally supports an active state role in economic development, encompassing not only market regulation but also direct intervention in strategic sectors through state-owned enterprises and subsidies. This reflects the French understanding of balancing market forces with social objectives. However, this model may lead to bureaucratization, inefficient use of public resources, and uneven sectoral economic development, exacerbating social inequality.

Switzerland demonstrates a harmonious combination of a market-oriented approach with highly efficient institutions. It serves as an example of a country where the market and the state interact through strong institutions, ensuring economic growth not only through free competition but also via transparency and effective governance at all levels. However, even in such a stable economy, the application of a market-oriented approach requires substantial resources for institutional reforms and continuous adaptation to global economic changes, posing a long-term challenge.

The United States, in turn, is predominantly guided by the neoclassical approach to market-oriented development. The U.S. economic model traditionally favors free competition and minimal government intervention. This fosters an innovative environment and dynamic economic growth, albeit with certain social consequences, such as rising income inequality and social injustice, which often accompany policies of minimal state interference. The lack of adequate social protection mechanisms can also lead to economic vulnerability for specific population groups.

A market-oriented approach in state governance is a concept that applies the principles and mechanisms of a market economy to enhance public administration efficiency. Its principles and characteristics are aimed at creating a flexible, efficient, and dynamic economic system that stimulates growth and development. However, it is important to note that while a market-oriented approach prioritizes efficiency and competition, it does not inherently promote fairness or balanced regional development. For example, business location decisions are primarily driven by economic benefits, without necessarily considering equitable access to employment opportunities. The following table illustrates that the market-oriented approach has both strong advantages and significant drawbacks, which must be addressed through a well-balanced public policy.

Table 1

Positive and Negative Impact of Market-Oriented Governance on Regional Development

Aspect	*Positive impact*	*Negative impact*
Economic growth	Stimulates entrepreneurship, attracts investment, and drives GDP growth.	Capital concentration in developed regions, leading to peripheral decline.
Competition	Enhances business efficiency and fosters innovation	Smaller businesses in weaker regions struggle to compete.
Employment	Creates new jobs in economically attractive regions.	Brain drain from depressed regions, increasing unemployment there.
Investment attractiveness	Attracts private capital to regions with high economic potential.	Uneven investment distribution: small towns and rural areas receive fewer resources.
Infrastructure development	Encourages the construction of roads, logistics centers, and communication networks in key economic regions.	Infrastructure develops unevenly: peripheral regions face poorer road quality, communications, and services.
Social effects	Improves the standard of living in economically active regions.	Social inequality between regions, exacerbating urbanization imbalances.
Innovations	Creates conditions for the development of high-tech clusters.	Lack of incentives for innovation in underdeveloped regions.
Government role	Minimizes bureaucracy and simplifies business operations.	Insufficient control over regional development, worsening disparities.
Environmental sustainability	Engages businesses in environmentally responsible solutions in developed regions.	Industrial enterprises may negatively impact the environment in less protected areas.

Compiled by the author based on [8, 15, 20, 27, 34, 35, 38, 41].

The emergence of regional disparities necessitates the search for balance and mechanisms of influence. This statement is based on the principle of equality. Citizens of a single state should clearly have equal rights to access basic needs such as transportation, infrastructure, healthcare, as well as equal pay for equal work, regardless of their regional residence or place of birth.

For example, in Germany, despite significant achievements in economic integration after the reunification, regional disparities remain a pressing issue. According to data for 2024, the average salary in the eastern federal states was 3,157 euros, which is 16% lower compared to 3,752 euros in the western regions. These differences are partly explained by lower living costs in eastern and rural areas, but even after adjusting for these factors, real incomes in the west remain higher (Welt, 2024: labor market report).

Moreover, there are significant differences in salary levels between cities. For example, an auto mechanic in Stuttgart earns around 6,636 euros, while in Dresden, the salary is only 3,047 euros. Similar discrepancies are observed in other professions, highlighting substantial economic inequalities between regions.

Regarding the integration of new technologies and innovations, eastern regions face challenges related to demographic changes and population outflows, which complicate the attraction of skilled workers and the implementation of advanced technologies. While initiatives such as the construction of large microchip manufacturing plants in Saxony-Anhalt may contribute to economic growth, their long-term impact on regional development remains uncertain.

Germany is attempting to address the consequences of regional imbalances, particularly social inequality, through substantial state social support. In the political arena, the appropriateness of certain social benefits is increasingly being questioned, as subsidies and payments represent a significant portion of the budget. Maintaining this "German administrative machine" is marked by excessive regulation of state institutions and processes.

Thus, although Germany has made significant progress in economic convergence, issues of regional inequality and weak integration of innovations remain relevant and require continued attention and targeted measures (Ministry for Communities, 2024: para. 5; Ministry of Regional Development, 2020: 12).

Ukraine

The emergence of economic disparities as a result of market reforms is particularly noticeable in countries like Ukraine, where large cities with a high level of development gain significant advantages in the form of investments and highly qualified personnel, while peripheral regions remain underdeveloped. The insufficient investment attractiveness of small towns and rural areas, lack of adequate support for businesses, and underdeveloped transport infrastructure lead to a significant deepening of economic inequality between regions.

In order to address these disparities, state intervention in regional development through market mechanisms is present. An analysis of local budgets for January-April 2024 indicates certain changes in the financial dependence of regions. Specifically, central regions demonstrate a relatively uniform level of subsidies with minor differences between communities, while western regions are more reliant on financial equalization mechanisms. Overall, the level of subsidies across the country appears to be more or less evenly distributed, despite the front-line and occupied territories.

However, in 2024, there is a significant decrease in capital expenditures in local budgets, effectively halving compared to the previous year. The average share of capital expenditures across Ukraine in 2023 was 14.3%, while in 2024, this figure dropped to 7.2%. Despite this, cities continue to maintain the highest share of capital expenditures, indicating the persistence of certain disparities in funding between urban and rural communities (Ministry for Communities, 2024: para. 5; Ministry of Regional Development, 2020: 12).

Thus, while the overall level of regional financial equalization appears more balanced, the reduction in capital expenditures and the persistence of disparities between different types of communities indicate challenges in ensuring balanced regional development.

State intervention, particularly in the form of subsidies, can serve as a tool for correcting the structural imbalances in regional development caused by uneven economic conditions. The redistributive function of the state in this context lies in mitigating asymmetries through financial support mechanisms for depressed areas, contributing to the convergence of regional socio-economic indicators. The use of subsidies as a compensatory mechanism allows for the partial neutralization of the negative effects of market imbalances, particularly by stimulating investment attractiveness, developing infrastructure projects, and improving employment levels in peripheral areas.

At the same time, the effectiveness of such a policy depends on the degree of institutional capacity of the state for strategic planning, targeted resource allocation, and ensuring transparency in funding. However, it is likely that subsidy support should be selective in nature and should not create dependency of regions on budget transfers but rather encourage their self-sufficiency through integration into national economic processes and the development of endogenous growth factors.

The territorial disproportionality in the distribution of enterprises across the country as a result, the disproportionate development of regions is caused by a complex of economic, social, and infrastructural determinants. Enterprises are mostly concentrated in powerful economic centers or agglomerations, which create favorable conditions for economic activity. Key factors include access to highly skilled labor, developed transport and logistics infrastructure, a large consumer market, and broad financial opportunities. Such polarization leads to the intensification of internal labor migration, where people are forced to move from depressed regions to more economically developed areas, which, in turn, contributes to increased regional differentiation in terms of income, employment, and access to public goods (Google Maps, n.d.: map data).

From an economic policy perspective, this spatial-economic asymmetry has significant consequences for regional budgets. The concentration of large enterprises in certain regions causes an imbalance in the distribution of tax revenues: highly developed areas accumulate most of the financial resources, which allows them to modernize infrastructure, implement social programs, and stimulate economic activity. At the same time, in depressed regions, where there is a lack of production capacities and jobs, there is a chronic budget revenue deficit, leading to stagnation, social decline, and exacerbating demographic challenges, including depopulation.

One of the key manifestations of regional disproportions is the significant fluctuation in wage levels and access to quality jobs. Highly developed agglomerations, such as Kyiv and Lviv, demonstrate significantly higher wage levels compared to less developed regions, which provokes internal labor migration and exacerbates territorial imbalances.

The level of wages in Ukraine is characterized by significant interregional differences. For instance, as of January 2025, the average wage in Kyiv was 27,500 UAH, while in the Ternopil region, it was only 21,000 UAH. Such discrepancies indicate substantial disproportions in regional development, which may lead to intensified internal labor migration and deepened economic inequality. The outflow of qualified labor from peripheral regions reduces their economic potential, making it more difficult to attract new investments and create a competitive environment (Work.ua., 2025: statistics).

To correct this structural disproportion, Ukraine requires a systematic approach to the development of transportation infrastructure, which will ensure more equitable access to labor markets, regardless of the territorial affiliation of citizens. The experience of European Union countries demonstrates the effectiveness of investing in high-speed public transport. High-speed electric trains operating within the EU allow workers to significantly reduce travel time between regions, while still maintaining the ability to live in their own cities.

In the Ukrainian context, an important direction is not only the development of railway connections but also the modernization of road infrastructure, including the construction and reconstruction of high-speed highways. Improving transport logistics will contribute to enhancing the mobility of the labor force, expanding interregional economic ties, and, consequently, harmonizing regional development. Otherwise, the prolonged imbalance in infrastructure accessibility will promote the further concentration of production and financial resources in a few economic centers, which could lead to exacerbated social and demographic problems in peripheral areas.

A strategic underestimation of the infrastructure factor is a threatening vector for the long-term economic development of the country. Effective modernization of infrastructure facilities is a necessary prerequisite for stimulating entrepreneurial activity, attracting investments, and increasing the competitiveness of the national economy. Neglecting these processes can result in systemic stagnation and a loss of economic positions in the global space. A telling example is the situation in Germany, where, during Angela Merkel's 16 years as Chancellor, the focus was on maintaining stability, but the lack of infrastructure innovations and digital transformation led to increased regulation, rising energy costs, and a shortage of highly skilled labor. As Prince Michael of Liechtenstein notes, during this period, the absence of progressive infrastructure renewal became a key factor in the decline of the country's industrial sector competitiveness. If Germany does not review its economic strategy by focusing on liberalizing market mechanisms and stimulating infrastructure investments, its economic decline may become irreversible. Furthermore, the disproportional distribution of enterprises across regions remains high (Prince Michael of Liechtenstein, 2024: commentary).

In Ukraine, similar to Germany, it is important to realize that infrastructure modernization is the foundation of sustainable development and the preservation of long-term prospects. Today, a number of issues caused by the war significantly complicate the effective development of infrastructure, and the existing infrastructure faces daily destruction. As a result, budget expenditures for infrastructure development are limited, creating a critical risk for the country's economy.

According to data from the public procurement system Prozorro, in 2024, tenders were announced for the capital repair and reconstruction of road infrastructure, such as, for example:

• Capital repair of the asphalt surface of the yard areas and internal courtyards at the address: 34/1 Budivelnykiv Street in the Dnipro District of Kyiv.

• Capital repair of an emergency section of the gravity sewer collector with a diameter of 500 mm on Yuriy Ruf Street in the city of Kremenchuk, Poltava region (Prozorro, 2024: tenders).

However, the measures of recent years have primarily focused on the reconstruction and repair of existing road infrastructure, rather than the full construction of new highways that meet all modern and regulatory requirements aimed at improving transportation connectivity, integrating market-oriented approaches, and adhering to sustainable development principles.

Scientific research confirms that developed transport infrastructure is a critical factor in regional development, as it helps reduce transportation costs, increase population mobility, and expand economic opportunities. However, in Ukraine, the state of transportation infrastructure remains a significant issue that hinders the development of many regions. Specifically, underfunding of road infrastructure leads to poor road quality, which complicates logistical processes and limits market access for local businesses. A similar situation is observed in the railway sector, where significant wear of rolling stock and insufficient investment in track modernization negatively affect the efficiency of the transport system.

Other countries employ various approaches to overcoming regional inequality, including infrastructure projects, financial incentives, decentralization, education, and innovation development. For Ukraine, a comprehensive approach is key, involving investment in the local economy, infrastructure development, and job creation to reduce population outflow and ensure even development across the country.

To better understand the depth of this issue, an attempt was made to conduct a comparative analysis of the effects of the market-oriented approach in the context of weak government intervention and its presence, using examples from different countries.

Assessment of the market approach without government intervention: In countries with minimal intervention (USA, Latin America), the level of economic equality is low (~40 out of 100), access to infrastructure is average (~45), and environmental sustainability is weak (~25).

Assessment of the government-regulated model: In countries that actively regulate the market (Germany, France, Switzerland), indicators are more balanced: economic equality (~80), social justice (~75), environmental sustainability (~80).

The scale in the chart is a generalized conceptual model, not the result of a specific empirical study. It is based on expert evaluations and theoretical assumptions regarding the impact of government regulation on regional development.

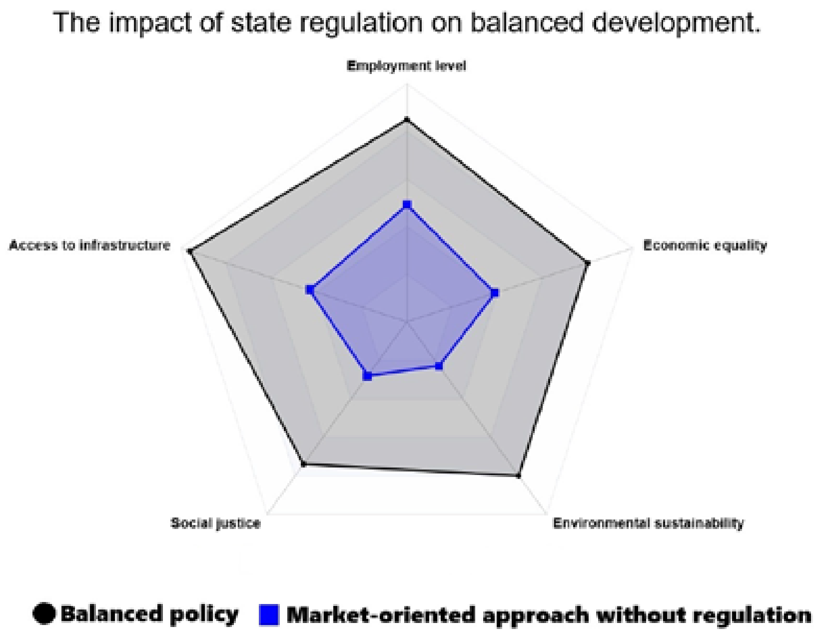

Figure 1. A market-oriented approach without regulation – high disparities, inequality, environmental risks

Compiled by the author based on [2, 5, 7, 8, 13, 17, 26, 39]

Balanced policy – support for small businesses, investments, equal access to resources.

It is evident that government regulation creates more sustainable and equitable regional development. This radar chart compares the market-oriented approach without government regulation (blue) and with it (gray). Without government intervention, regions face economic inequality, low employment, insufficient infrastructure development, and environmental issues. In contrast, a balanced government policy promotes equitable regional development by enhancing social equality, resource access, and environmental sustainability.

Ukrainian Context

Global transformational processes, intensified by the war, have necessitated a reassessment of strategic approaches to regional development. Traditional mechanisms of state subsidies and fiscal stimulation are losing their effectiveness against the backdrop of budgetary constraints and increasing financial risks. In a context where state resources are primarily directed toward the defense sector, attracting direct investments from large corporate structures and multinational capital becomes critical for the reconstruction and modernization of the regional economy. It can be hypothesized that under these conditions, investment policy may become a key vector for the economic transformation of regions. Given the shortage of state funding, the priority is to create an attractive investment climate capable of ensuring the inflow of long-term capital. This strategy involves forming a favorable legal environment that minimizes regulatory barriers and provides maximum guarantees to protect investors from political and financial risks.

Conclusions and Prospects for Further Research. Overall, the market-oriented approach serves as a powerful tool for stimulating economic expansion and regional transformation, ensuring the effective mobilization of capital, accelerating investment flows, and optimizing resource potential.

However, its implementation in the absence of effective regulatory mechanisms for government intervention provokes a deepening socio-economic polarization, creating favorable conditions for the economic hegemony of developed centers and the marginalization of peripheral regions. The experience of other countries proves that effective regional policy must be based on a balance between market levers and government interventions, as excessive dirigisme nullifies competitive advantages, while uncontrolled liberalization fosters regional disparities.

In the Ukrainian context, key determinants of uneven spatial development include the asymmetry of investment flows, infrastructure degradation, and socio-economic entropy, which are exacerbated by geopolitical turbulence and financial constraints. Territorial polarization, manifested in disparities between access to critical infrastructure and the distribution of production capacities, catalyzes internal migration and causes the socio-economic decay of depressed regions, requiring a comprehensive institutional response. Government intervention should play a compensatory role, aimed at the development of infrastructure projects and support for economically vulnerable territories. At the same time, it is essential to avoid excessive dependence on state subsidies, creating conditions for their independent development. Furthermore, an important task is to stimulate capital inflows both at the national level and into less developed regions, which will ensure uniform economic growth and reduce disparities in socio-economic development.

Given current global trends and technological progress, the optimal approach for Ukraine is a combination of neo-institutionalism, endogenous growth theory, and sustainable development theory. This will help combat corruption and form effective institutions through neo-institutionalism, stimulate the development of technologies and human capital through endogenous growth, and restore the country through environmentally sustainable methods via sustainable development.

Combining these approaches will enable Ukraine not only to minimize economic disparities between regions but also to ensure long-term competitiveness in the international market by leveraging technological innovations and institutional transformations.

Further research should focus on modeling effective synergistic approaches that combine market mechanisms with adaptive government regulation, ensuring the optimization of spatial economic balance. An important area of scientific attention is the development of strategies to stimulate innovative clusters and entrepreneurial initiatives in regions with low economic dynamics, which will help align structural disparities and accelerate post-crisis recovery. In-depth analysis of the impact of infrastructure investments on regional convergence and the development of effective mechanisms for the distribution of state and private resources in the context of spatial balance are also necessary. It is also important to emphasize the potential of digital technologies, especially artificial intelligence, in enhancing the efficiency of regional governance, which will optimize management decisions and the economic productivity of territorial systems. A promising research direction is studying social capital as a key factor in ensuring sustainable regional development, especially in the context of building trust, social cooperation, and network interaction among economic agents. All these aspects will form the basis for the development of a strategically grounded regional policy capable of effectively adapting to contemporary challenges and ensuring long-term balanced socio-economic development in Ukraine.

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