The first critical component that explains the business cycle and its evolution is territorial foci, nodes or innovative geographical centers of change that pull the various elements selectively: some with more intensity and other marginally, leaving to as many totally excluded.

In addition, this drive operates through spatial diffusion processes that have characteristic patterns. During these processes of drift and diffusion, the various components of the network (urban, nation, region) have different processing speeds of either approach or convergence (when the less developed territories move faster than more developed), or estrangement or divergence (if it's the reverse).

While these sources and generate innovative spatial changes and assume various territorial configurations are analyzed differently according to specific purposes, the main objective has been to understand them as towns, cities and even urban areas, and consider the advantages and the attributes and characteristics that make in an environment conducive to innovation and economic change.

The cost-benefit balance of the growth of a city changes permanently and determines depression cycles or urban expansion. The city tends to grow when the benefits outweigh the costs but when it does otherwise appear stagnates and economic incentives for their activities is disseminated to other urban centers. Economic theory, geography and sociology have conceptualized and formalized this process in various ways, giving meaning to the concept of diseconomies of agglomeration economies and to account for the determinants of city size and its cycles of boom and depression, and show the role played by the various forms of collective capital to produce advantages and disadvantages for private economic activities. This first look is enriched with the additional consideration of cultural determinants, institutional, microeconomic and textile production. Concern was also introduced to understand the collective processes: the mechanisms through which urban societies learn to learn and manage to enter cycles of innovation and prosperity and to move successfully from one cycle to another.

The concentration and agglomeration of people and activities are as effective means of producing collective benefits but also costs and threats. Therefore are subject to processes of polarization (divergence) and diffusion (convergence) alternating and changing. From this point of view, force generation engines of regional economic convergence and divergence and cycles that accompany them.

Within a single urban system, and within the same country, geographic poles innovation coexist competing with different catchment areas and sometimes juxtaposed. In this case, there will be a multicenter setting which produced forces opposed to those arising from the dominant pole, or
coincident with them. This parallel then operates as an additional determinant of the processes of convergence-divergence of a country.

**ECONOMIC CONVERGENCE AND DEGREE OF URBANIZATION**

The proposals for regional policy, urban and community welcome this emphasis on innovative sources. In a variety of considerations, case studies and international comparative research and identify the factors explaining these dynamic processes, trying to "tame" and control them through recommendations for approaches and measures to be taken. So it is with some contemporary traditions under terms such as local economic development, territorial competitiveness and innovative ways. In this case, makes a special effort to know and accelerate the process of diffusion of growth from innovative sources to the rest of the system.

The processes of spatial spread of economic innovations are the second major regulator of the conduct of regional economic disparities. While the stages of evolution and growth of the hotbeds of innovation produce a tendency to spatial concentration of these innovations and the appropriation of profits, the slowdown and decline are associated with a propensity for the spatial dispersion of innovative activities. Some of these behaviours are explained by the evolution of collective capital of the territories, while others are derived from the specific characteristics of certain production processes, identifying growth saturation space innovation poles with increasing urbanization and costs outweigh benefits that promote the disincentive to the location.

This situation is unlike central place theory, which helps to understand the hierarchical pyramid and all urban system, the complement of the various elements together and the rural-urban functional relationships, new activities and the relocation of some existing.

This process cycle of production of new goods and services that initially require technological, social and labour very specific, limited and available in very few places that will standardize and then make it possible and even desirable, to relocate production to sites with lower operating costs.

This diffusion takes a variety of spatial configurations that are discussed later and depend on the characteristics of the regional urban system and facilities and transportation networks, existing communications and telecommunications. Despite the differences, the process operates under a general principle which states that the spread will be more intense and rapid the greater the physical proximity (transport, communications and telecommunications) and the similarity socioeconomic (quality of workers, infrastructure, institutions and living conditions) between sending and receiving areas. This similarity serves as a physical and socio-economic support to the predictions of the theory of convergence.

Physical proximity and similarity of the territories socioeconomic explain the behaviour pattern of international economic disparities: in both cases, there coexists a trend towards convergence between countries (territories) of similar levels of development and the divergence between countries (territories) of dissimilar levels of industrialization. In the space field, this trend of convergence then depends on factors involved in determining the degree of physical and socio-economic proximity between local areas: quality of transport infrastructure, communications, level of training of workers and cultural proximity and institutional. This is manifested, among other things,
the prices of basic urban services (water, energy, sanitation) and soil on the costs and the increasing complexity of supporting infrastructure (especially transport) and degradation environment and quality of life.

The expansion of the geographic poles of innovation spillovers causes, such as increased demand for potable water, energy, agricultural supplies and inputs for manufacturing output to expand and diversify the needs of natural resource exploitation in other areas often remote from these poles. Most migrants to host economic activities, the effect of drag caused by the emergence and consolidation of regions, cities and territories with complementary activities that provide support to those deployed by the outbreaks of innovation.

The geographical logic of emergence and spread of the poles transcends national boundaries and set grids ranging from local to transnational, depending on the goods or services concerned.

When these centers operate within national boundaries, usually produce a devolution because they contribute to create new regional economies. The impetus to regional economic convergence processes depend on the levels of technological development, productivity and wealth associated with these activities.

For example, there are obvious and large differences between areas of traditional farming, with its usual levels of poverty and backwardness, bring food into the big cities and more developed regions, and centers that produce chemical or petrochemical income levels and wealth probably well above national averages.

The rise and decline of outbreaks and the evolution of diffusion effects and drag, operate in the context of transverse processes, such as those associated with technological features, geographic and institutional.

The economic characteristics of production technologies used affect the speed of the spatial diffusion of innovations. Whereas when there are constant economies of scale are more likely to appear poles of alternative production and dissemination central gain more speed when increasing economies of scale governing such disclosure may be delayed or even never appear.

The conditions to generate savings and make investments also impinge on these processes of diffusion. The capacity and speed of interregional capital flows can also be perverse. External economies and the overall benefits derived from the agglomeration of investment projects in the relatively rich regions (the North) can induce migration flows (from South), accelerating regional disparities and expanding the division (North-South) but may appear more efficient capital markets, external economies and increasing returns from agglomeration can be depleted and capital flows might experience a natural reversion. The tightening labor market is also involved in the conditions of spatial diffusion of economic activity. In turn, the possibilities for adjustment depend on such factors as the conditions of education and training for work, the work cultures with the different locations, spatial mobility of workers and living conditions and welfare in the territories.

The duration of the cycles of convergence and divergence, with diffusion processes and their spatial concentration is limited and depends mainly on existing technologies. The transition from a
technology package to another involves instability and change, with territorial economic behavior
difficult to predict and uncertain consequences to the extent that may involve decentralized and
centralized.

Apart from the effect they have on the economic, spatial diffusion processes of growth are also
influenced by geographical conditions. In terms of economic geography, the number of urban
settlements is set so that tends to minimize the combination of unit costs of production and
transport. As for the political geography, urban concentration is greater when the primate city
coincides with the capital or a port. With respect to its configuration, the forms of spatial spread
differentially combine the following elements: physical extent of the outbreak innovative (oil stain),
emergence of new nodes located at some distance from the focus (Leap Frog) and thickening of the
interconnection corridors between points of transmission and distribution.

Along with all the conditions and determinants that operate around the behaviour of technology,
capital and labour, organization, and investment policies of the state also help to shape the processes
of spatial diffusion of economic growth and innovation. State investment as part of a cycle in which
early stages spatial concentration is preferred as a strategy to maximize its impact on growth. Only
then could "afford" to make a redistribution orientation. A possible regional favouritism by national
governments, which can cause increased levels of number of market areas, is the degree of urban
decentralization of a country depends on three conditions:

(1) The degree of economies of scale in production.

(2) The market size, and

(3) The spatial spread of the market and therefore transport costs.

Instead, the articulation between theory and policy is less clear on the issue of regional economic
cycles, the factors that determine them and the media and intervention strategies. The economic and
social processes of convergence and divergence should be set depending on the circumstances,
contexts and the surrounding factors. Convergence and devolution can be synonymous with equality
and reduction of gaps, but do not necessarily mean more wealth and collective welfare; divergence
and concentration imply higher inequality, but not always imply a decrease in the levels of wealth and
collective welfare.

All detailed so far shows that the problems and questions, as well as the determinants of trends in
change, depends on the chosen spatial and temporal scales. The advent of industrialization and
technological revolutions and associated products, rapid population growth and urbanization have
resulted in new regional economic disparities particularly intense, visible both globally and nationally
and locally. Imbalances, gaps and mismatches caused not remain the same as the centers of power
are transformed, the geopolitical configuration of capitalism coverage changes and technological
factors, productive and institutional are constantly changing.

But even in the midst of a perpetual motion, it is possible to recognize spatial configurations that
remain stable for long periods and through which there are cycles of concentration (divergence) and
deconcentration (convergence) clearly identifiable territorial economy. These cycles are governed by the exchange forces and trends that explain the evolution of dynamic spatial foci of innovation, forms of economic and spatial distribution of the territorial effect of infrastructure investment. Although investment in road infrastructure reduces urban concentration, the magnitude of the effect depends on income increased road density urban reduces welfare to income levels of between $ 850 and $ 17,500.

Latin America presents a bleak pattern for a large group of countries evidence of urban concentration levels higher than expected, with an estimated cost of relatively high growth potential and generation of welfare. In addition, different geographical parameters of the economic cycle regulators increase the intensity of spatial concentration and weaken certain channels of distribution and drag. Demographic cycles, related to migration and natural growth rates, determine the basic processes of spatial mobility of population and socio-spatial cycles. The different spatial parameters specific to each country, allow us to understand that each has its own settings and that before the various trends and cyclical or structural forces of global change, regional responses are very different.

It is possible to compile other reflections on the relationship between theory and policy. Since the emergence of imbalances and disparities are an inevitable expression of economic change, of technological change and institutional evolution is essential to strengthen the capacities of understanding and monitoring of these processes to adapt to their changes and their changes of meaning and meaning.

It is also necessary to improve the innovation capacity of the territory, know the processes of spatial diffusion and drag drives innovation and economic growth and the ability to intervene on these processes. The theory of spatial economic development and territorial competitiveness highlights the role of own resources and endogenous development, is the production of a capacity for innovation from the same territories. It is also essential to reflect on how to accelerate and extend the processes of diffusion and spatial economic drag and appreciates the role that the development of transport and communications infrastructure can play in this regard.

Similarly, it is necessary to introduce a special reflection on the status of the excluded territories, which have no chance of joining as generators or receivers innovation diffusion effects and drag, and consider various forms of exercise territorial solidarity.

This way of understanding and explaining the cycles leads to new options approach and interpretation, from the standpoint of growth, generating wealth and material wellbeing, it is very difficult to establish an identity between convergence and increased welfare, or between divergence and welfare reduction. So, depending on the circumstances, both stages of divergence as convergence could produce welfare gains or losses. Then, a proper relationship between theory and policy analysis suggests that distinguishing devise and evaluate spatial cycle effects on welfare.

Finally, the articulation between economic and spatial change works through several dimensions of broad spectrum, including aspects related to the technology industry, business, employment, financial, institutional and cultural. Territorial development policies focus on some of these issues but do not extend fully. This means that many components of economic policy, besides the traditionally known and grouped under the concept of regional policies have territorial impact and relevancy.
Therefore, in every place and time, regional policy should ask whether or not impact on the most important regulatory factors.

**REGIONAL ECONOMIC DISPARITIES**

The regional development policy has a long history in Latin America and the Caribbean. It identifies the end of the forties as the time at which the countries of Latin America and the Caribbean begin to create regional institutions, dependent on central government but with varying degrees of autonomy to initiate sustainable development processes in public investment nationals.

In the late 1960s, identified the existence of more than 60 intra-regional development programs (addressed to a particular region) and inter (national system-oriented regions).

During this stage, intra-regional approach prevailed politics with measures such as facilitating access to natural resources necessary for the functioning of the economy, natural disaster intervention, response to expressions of political discontent and social and establishment of a sovereign presence in strategic locations and areas. Paradoxically, policies during the early days of regional planning in Latin America, the most common solution to certain problems of development was to define a 'problem region' and to develop proposals aimed at resolving it. National policies (inter) explicit to depressed areas do not exist in Latin America, contrasting with what happened in most developed countries of Europe and North America and although in the latter are interregional imbalances minors.

In general, measures have always been promoted by national governments in order to guarantee their interests, without ultimately aimed at the development of the region. Under these conditions, regional development (understood as a broad process that involves the modernization of the spatial structures, economic, social and political in the region) comes to be regarded as a desirable by product.

In its formal aspects, regional planning in Latin America probably peaked in the decade running from 1965 to 1975. During the sixties appears interregional politics, understood as the national approach to regional planning. This process occurred in the context of the consolidation of national development planning, the growing questioning of economic growth as the sole objective of development and the emergence of an interest in redistributing wealth, the growing professionalization of regional planning and the emergence of continental programs like the Alliance for Progress. In this context, the definition and implementation of policies for the development of different regions were very often associated with proposals implementing growth poles and development centers, in essence, assumed that the various effects of a pole of expansion growth would radiate over a given geographical area.

Also devised programs specifically directed to the field that, somehow, came to fill a need for intervention in depressed areas. An example of such programs was the Integrated Rural Development (DRI). Such a strategy has been generally oriented to face the conditions of backwardness and poverty that characterize rural Third World areas. In its most comprehensive and progressive, a DRI is a proposed strategy and a form of regional planning that is based on a definition of the region as
"crossing functions' on the one hand between different planning levels (from national to local) and, secondly, between different disciplines or sectors of planning.

Although in the early 1970s many countries had national regionalization strategies for comprehensive development, most of them failed to exercise beyond the stage of physical-spatial planning. Nations naively assumed that was enough interest to executive processes are viable, there was no ability to convince, not investigated the original assumptions to the presentation of growth poles, lacked a formal and content integration between plans regional and global, and in some cases, the resulting regions became artifacts that did not correspond with the real social forces and the existing ties of loyalty.

At the dawn of the eighties optimistically heralded the advent of a new phase to which brought the outbreak of the crisis of external debt, economic stagnation and widespread adjustment policies and fiscal restraint.

In this context, emerged two current transition alternatives: a rebellious, who denied that in the context of a capitalist economy can not think of the integral implementation of strategies that lead to a true regional development and other regional and participatory proposing to strengthen bargaining power of regions, increase social participation and decentralize decision-making system, in addition to placing emphasis on equity valuation and the role of local actors.

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