



DYNREG



CITIZENS AND GOVERNANCE IN A
KNOWLEDGE-BASED SOCIETY

**Dynamic Regions in a Knowledge-Driven Global Economy:
Lessons and Implications for the European Union - DYNREG**

Final Conference

Brussels, 27 November 2008

Understanding global economic dynamism

George Petrakos, University of Thessaly, Volos

Understanding economic dynamism I

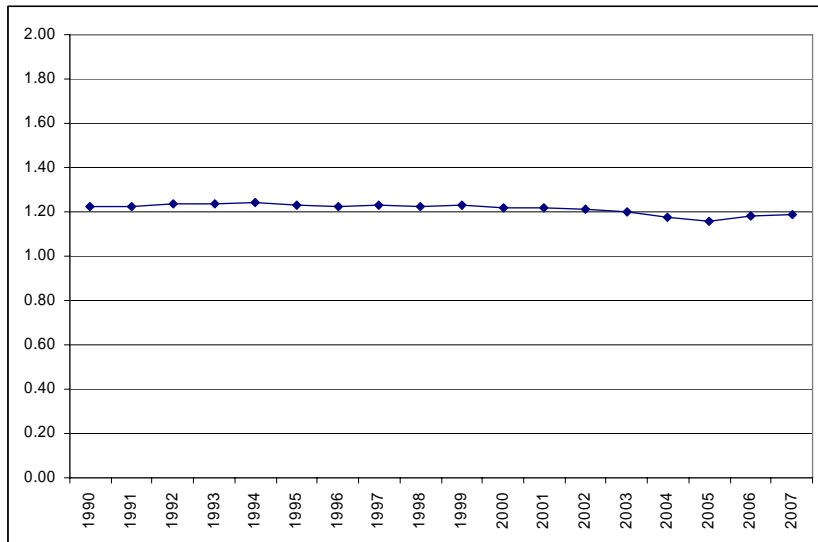
- A variety of frameworks is analysing the processes of economic performance and growth
- No unifying economic theory
- Debates on the importance and direction of growth effects of many factors

Understanding economic dynamism II

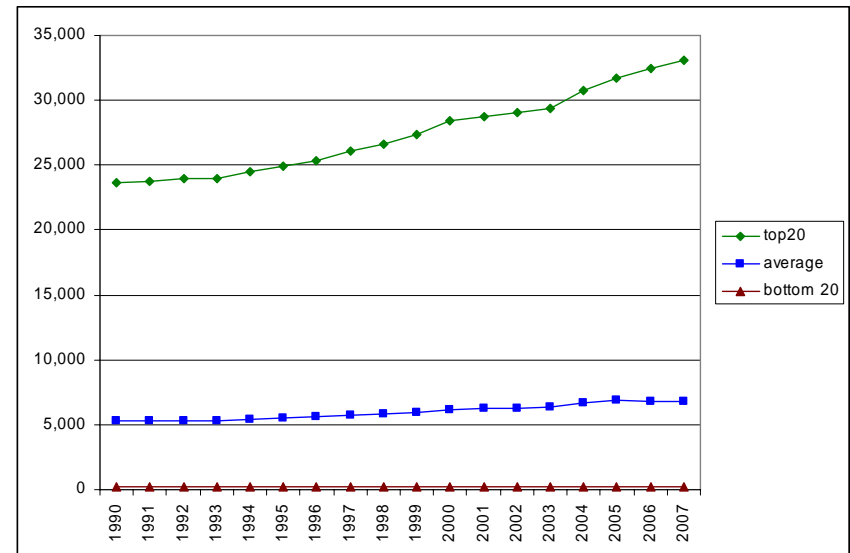
- Mixed evidence in the growth literature
- A variety of performances in different scales
- Leading regions usually perform better
- Weaker regions often fall behind
- Inequalities tend to increase at lower scales of analysis

International level growth evidence II

Weighted coefficient of variation of GDP/cap (constant 2000 US\$), 1990-2007



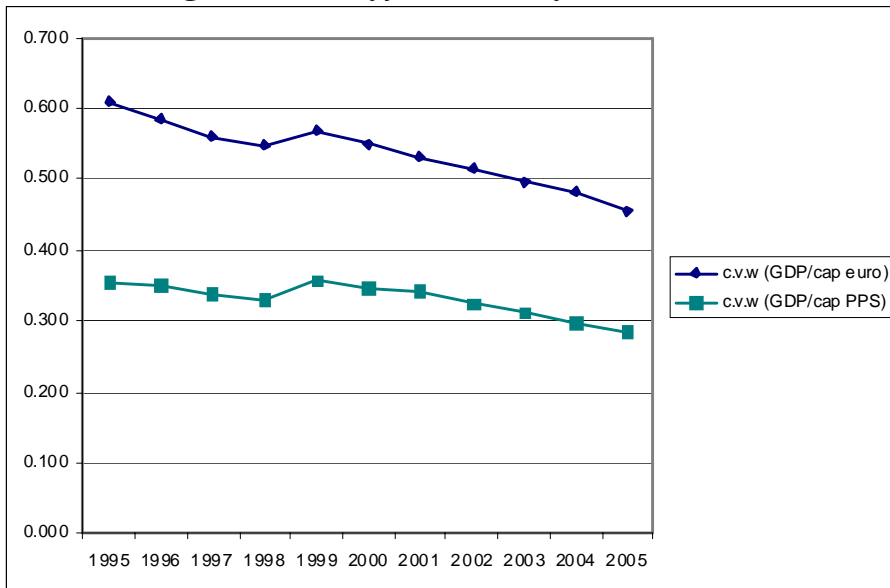
Top-20 and bottom-20 of GDP/cap (constant 2000 US\$), 1990-2007



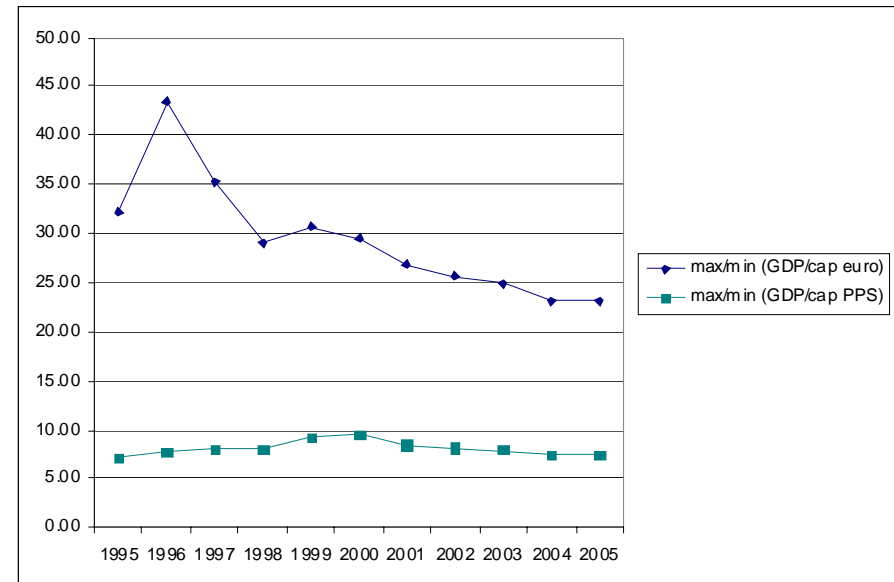
EU National level growth evidence

Measures of inequality among the EU-27 countries, 1995 - 05

Weighted coefficient of variation



Max/min ratio

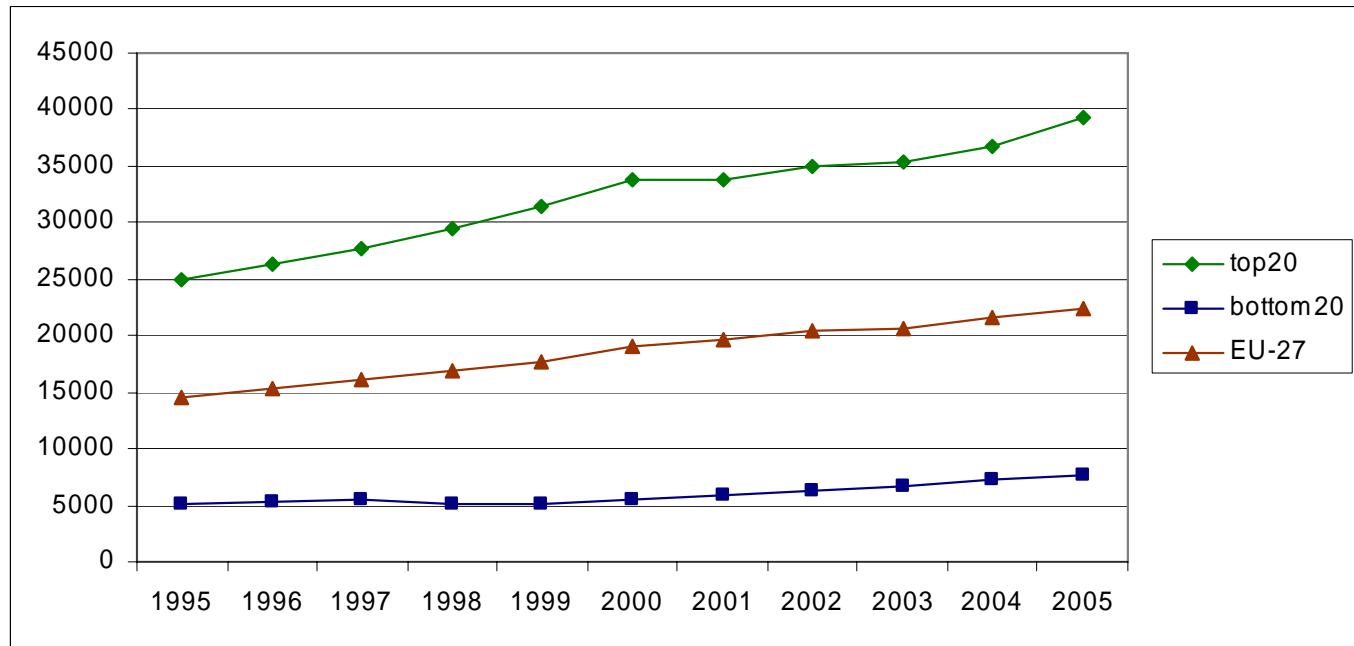


EU National level growth evidence II

	Country	in euro	in PPS
<i>GDP per capita in euro and PPS, EU-27 countries, 2005</i>	Luxembourg	64,557	59,202
	Ireland	38,928	32,197
	Denmark	38,338	28,376
	Sweden	32,633	27,721
	Netherlands	31,192	29,374
	UK	29,968	26,715
	Finland	29,964	25,774
	Austria	29,797	28,852
	Belgium	28,830	27,135
	France	27,348	25,077
	Germany	27,219	25,797
	Italy	24,281	23,474
	Spain	20,933	23,069
	Cyprus	18,025	20,753
	Greece	17,921	21,589
	Portugal	14,125	16,891
	Slovenia	14,120	19,462
	Malta	11,790	17,330
	Czech	9,803	17,156
	Hungary	8,815	14,393
	Estonia	8,319	14,093
	Slovakia	7,143	13,563
	Poland	6,405	11,482
	Lithuania	6,055	11,914
	Latvia	5,657	11,180
	Romania	3,681	7,933
	Bulgaria	2,835	7,913

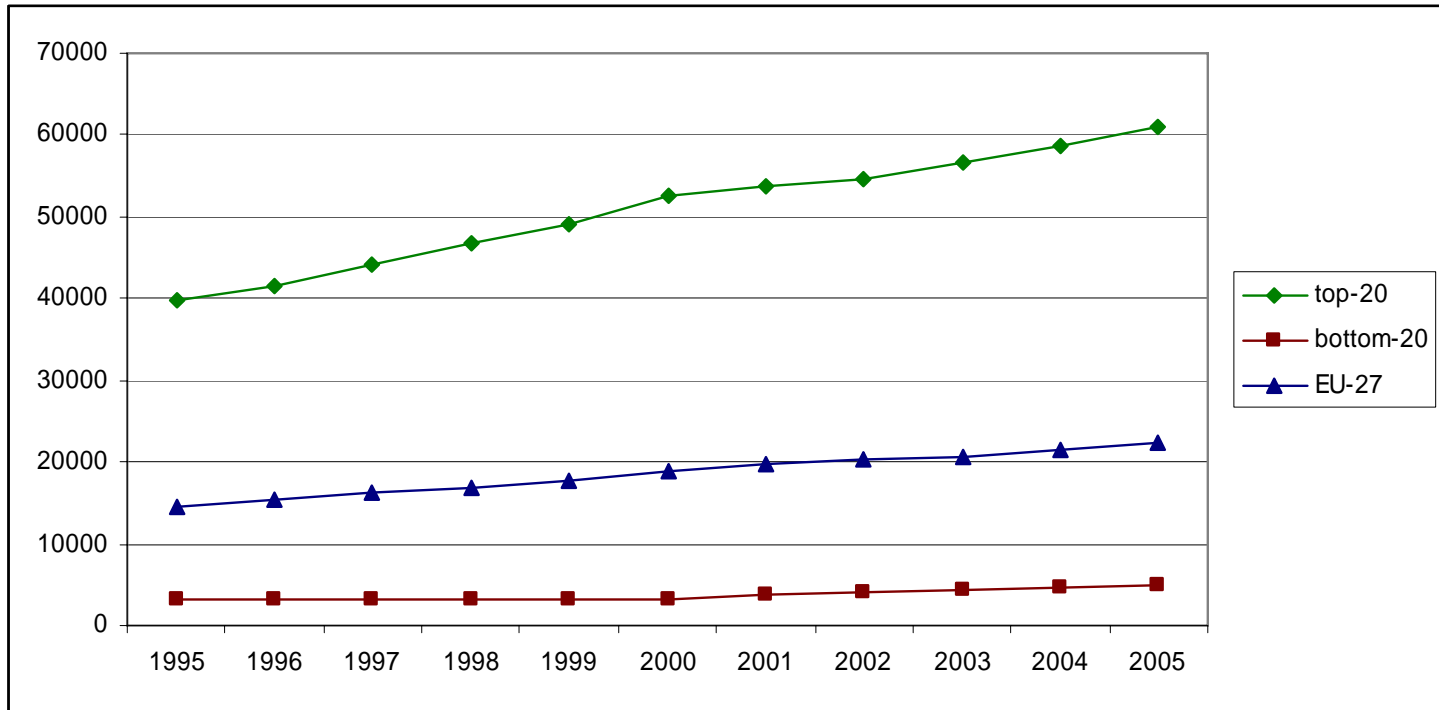
EU Regional level growth evidence

The evolution of GDP/cap (in PPS) for the EU-27 top 20 and bottom 20 NUTS II regions, 1995-2005



EU Regional level growth evidence II

The evolution of GDP/cap (in PPS) for the top 20 and bottom 20 NUTS III regions, 1995-2005



EU member-states: regional growth evidence I

		CVw NUTSII		CVw NUTSIII	
		1995 ^a	2005	1995 ^b	2005
The weighted coefficient of variation of GDP per capita in PPS, NUTS II and NUTS III level, 1995 and 2005	countries				
	Italy	0,268	0,267	0,303	0,891
	Hungary	0,327	0,481	0,570	0,789
	Latvia			0,454	0,714
	UK	0,307	0,406	0,468	0,577
	Bulgaria	0,229	0,330	0,395	0,569
	Estonia			0,390	0,546
	Slovakia	0,387	0,463	0,419	0,513
	France	0,183	0,241	0,507	0,512
	Romania	0,226	0,381	0,320	0,508
	Greece	0,152	0,387	0,234	0,507
	Poland	0,181	0,300	0,461	0,495
	Portugal	0,257	0,254	0,443	0,453
	Germany	0,245	0,238	0,454	0,449
	Czech	0,258	0,392	0,272	0,422
	Lithuania			0,160	0,374
	Austria	0,269	0,221	0,413	0,359
	Belgium	0,087	0,180	0,327	0,338
	Slovenia			0,261	0,327
	Ireland	0,214	0,205	0,265	0,322
Finland	0,464	0,814	0,231	0,298	
Netherlands	0,118	0,156	0,203	0,281	
Denmark		0,204	0,182	0,267	
Sweden	0,109	0,218	0,170	0,251	
Spain	0,218	0,205	0,213	0,198	
Malta			0,121	0,159	

EU member-states: regional growth evidence II

	countries	1995	2005
GDP share of metropolitan NUTS III regions in 1995 and 2005	Malta		94,09
	Estonia	53,95	59,32
	Latvia	49,32	57,36
	Greece	38,07	48,84
	Ireland	37,55	37,76
	Austria	27,89	27,43
	Slovenia	33,45	35,93
	Lithuania	28,64	35,94
	Hungary	33,94	35,91
	Finland	31,33	35,61
	Portugal	30,69	31,79
	Bulgaria	24,81	30,98
	Sweden	25,28	28,99
	Slovakia	24,65	27,31
	Czech	20,02	24,04
	Denmark	16,25	21,19
	Romania		19,66
	Spain	16,81	17,62
	Poland	9,42	13,27
	Netherlands	10,78	11,82
Belgium	12,38	11,73	
Italy ^a	10,03	10,14	
Germany	4,32	3,52	
France	10,21	9,46	
UK	6,84	7,95	

Learning from success

- What can we learn from the experience of the dynamic regions?
- What are the drivers of their growth?
- Is this knowledge useful for weak and falling behind regions?

The drivers of growth

- Different in the national and regional level
- Different in developed and developing countries
- Non-linear effects
- Interdependencies
- Cyclical effects
- The formation of Clubs: Convergence within clubs, divergence between clubs

The drivers of regional growth

- Agglomeration economies
- Geography – Accessibility – Connectivity
- Integration
- Human capital – Knowledge economy – Innovation
- Specialization – Diversification – Structural change
- Administrative structure
- Threshold - Critical scale of activities
- Home market effects
- Spatial and sectoral policies
- Institutional setting
- Cultural characteristics

The drivers of growth at the international level

rank	Developed economies	Developing economies
1	<i>High quality of human capital (7.93)</i>	<i>Stable political environment (7.05)</i>
2	<i>High technology, innovation, R&D (7.91)</i>	<i>Significant FDI (6.95)</i>
3	<i>Specialization in knowledge int. sectors (7.34)</i>	<i>Secure formal institutions (6.93)</i>
4	<i>Good infrastructure (7.19)</i>	<i>Good infrastructure (6.46)</i>
5	<i>Secure formal institutions (6.96)</i>	<i>Rich natural resources (6.35)</i>
6	<i>High degree of openness to trade (6.92)</i>	<i>Robust macroecon. management (6.20)</i>
7	<i>Capacity for adjustment (6.61)</i>	<i>High quality of human capital (6.15)</i>
8	<i>Stable political environment (6.49)</i>	<i>High degree of openness to trade (6.11)</i>
9	<i>Free market economy (6.33)</i>	<i>Low levels of public bureaucracy (6.10)</i>
10	<i>Robust macroeconomic management (6.13)</i>	<i>Capacity for adjustment (6.05)</i>

Implications for theory I

- Convergence and divergence forces may co-exist at all spatial levels, but in different proportions and with different strength
- Most drivers of growth identified in the literature tend to favor central and advanced regions / areas, but not necessarily weak and peripheral ones
- As a result, understanding performance in weak regions / areas may require special attention. Learning from failure may be equally important to learning from success

Implications for theory II

- The mix of presumably opposite characteristics that best promote economic dynamism indicates that a number of policies are effective only within a limited range
- Beyond some level, policies may have adverse effects, raising questions for the validity of linear models (where more of any factor X is always better for growth)
- New synthetic theoretical approaches are considered to explain growth performance better than traditional ones

Implications for policy

- Divergence clubs and spatial selectivity: Need for a return of development in the International and European policy agenda
- ‘Successful regional policies’ - based on the experience of successful regions - do not seem to work in weak and diverging regions
- Although learning from success is important, dogmatic one-size-fits-all policies should be avoided, as advanced and less advanced areas have different needs, priorities and policy environments
- Learning from failure is equally important to learning from success. However, this experience is practically unused in the design of development policies



DYNREG



CITIZENS AND GOVERNANCE IN A
KNOWLEDGE-BASED SOCIETY

**Dynamic Regions in a Knowledge-Driven Global Economy:
Lessons and Implications for the European Union - DYNREG**

Final Conference

Brussels, 27 November 2008

Understanding global economic dynamism

George Petrakos, University of Thessaly, Volos