

# The Dilemmas of Regional Economic Development in Europe

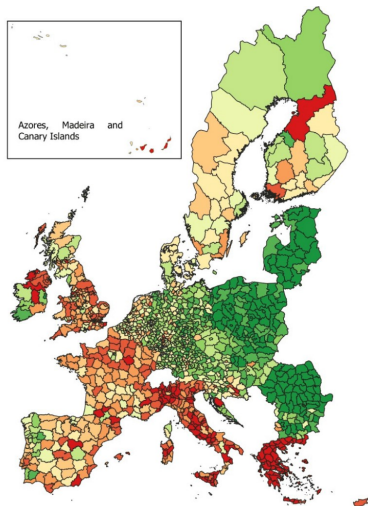
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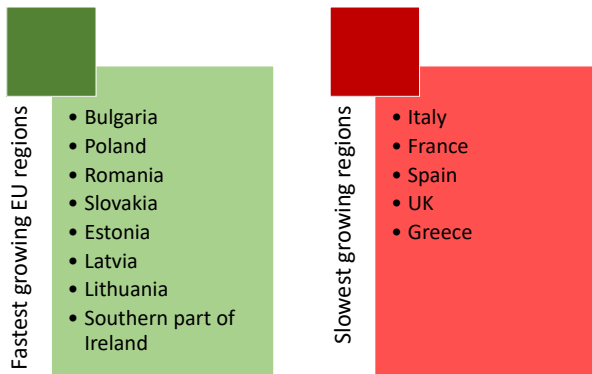
A Different Kind of Future  
7th November 2019



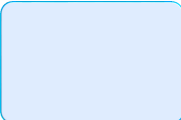
# The Economic Performance & Regional Trajectories in Europe



- Economic growth has been markedly different across EU regions.

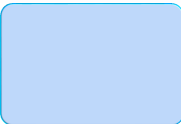


Source: Darvas et al. (2019). Period: 2003-2015



## *Advanced stage of development*

- The capital-to-output ratio
- The percentage of employment in the services sector




## *Long-run level of economic growth*

- Research and development (R&D) personnel in percentage of total employment
- The share of working-age people with tertiary education
- The growth in population (- physical-capital-per-worker ratio)



## Technological frontier & Growth

- Population density
- Quality of governance



### *High & Very high income economy*

- Innovative and productive regions
- Large metropolitan and capital-city regions
- Rhine-Ruhr; Randstad Holland specialized in high quality goods and services



### *Medium income economy*

- Stagnant or declining employment rates
- Unsatisfactory attainment of education and skills
- Inadequate labor-force participation
- Middle-income trap



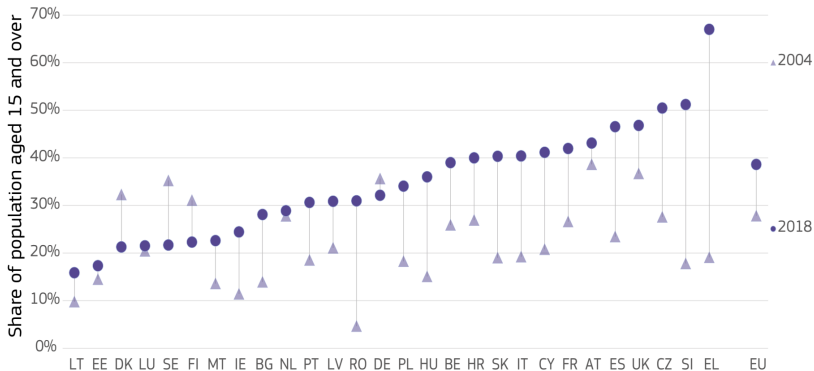
### *Low income economy*

- Low employment rates
- Poor quality of government
- Low investment in R&D
- Lack of accessibility

Such disparities have enhanced a growing discontent within the European Union.

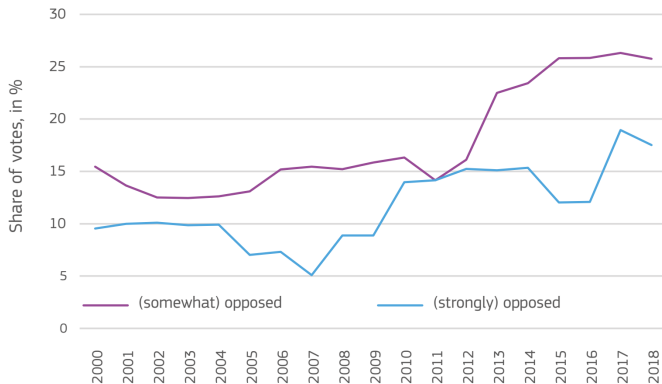
Declining levels of confidence in the institutions and policies of the European Union.

# Share of the population tending not to trust the EU, 2000-2018



Source: Dijkstra et al. (2018)

# Share of vote parties that oppose EU integration in the EU-28, 2000-2018



Parties strongly opposed to European integration tend to advocate leaving the EU.  
Parties that are somewhat opposed to European integration would substantial changes but they do not necessarily advocate leaving. Source: Dijkstra et al. (2018)



- The vote for parties strongly opposed to EU integration grew from 10% to 18% between 2000 and 2018.
- The same upward trend remains if we include the parties somewhat opposed to EU integration: from 15% in 2000 to 26% in 2018.

- Some studies identify the archetype of the individuals left behind by the modern economy and its development:
  - *"Older, working-class, white voters, citizens with few qualifications, who live on low incomes and lack the skills that are required to adapt and prosper amid the modern, post-industrial economy"*  
(Goodwin and Heath, 2016: 325).

- Policy makers face economic, social and political challenges to mitigate social divisions and political distrust.
- A full and complete knowledge of regional disparities is essential for policy makers to identify appropriate policy actions to reduce spatial inequality.
- Such policies would be able to deal with the relative importance of different drivers of regional disparities.

- A comprehensive approach is needed to address multiple aspects of the European regional development.
- "*People-based*" policies (education, mobility, ...)
- "*Place-based*" policies (job development, innovation support, ...)
- lammarino et al. (2018) use the term "*Place-sensitive*" policies to indicate policies integrating micro policies focused on individuals and territorial policies.

- Promoting smart specialisation and internationalisation for innovation projects.
- Increasing both the attractiveness of selected inward capital flows and participation in global production and value chains networks.
- Involving more strategic planning, fostering simplification but with stricter controls when the corruption risk is high.
- Exploring synergies between EU and national programmes.
- Structural funds promote more efficient connectivity and infrastructure improvements.