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Full cities, empty territories

Universidad Autónoma de Madrid



ABSTRACT

Title: Are agglomeration forces shaping regional productivity disparities in Europe?

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Abstract:

Since 2000 regional productivity disparities have increased in Europe propelled by the rapid progress made by some of the richest regions in Europe, while low- and middle-income regions have tended to advance more slowly and to converge with the European average. In this paper we analyse the extent to which differences in the level of regional labour productivity are explained by the presence of agglomeration economies and their effect over the accumulation of knowledge related variables. In order to do this, we use a dynamic spatial panel approach to estimate a model that relates regional labour productivity with knowledge related variables (human capital and R&D), the presence of agglomeration economies and regional capital intensity. Regional differences in the quantity and quality of productive capital that support and complement regional labour are very important in explaining spatial differences in labour productivity. The lack of homogeneous data on capital stock at the regional (NUTS-2) or sub-regional (NUTS-3) level in Europe has led to forgetting this factor as a determining factor of productivity differences. Consequently, in this paper we want to contribute to fill up this gap in the empirical evidence considering the productive capital endowments in the 121 European regions, belonging to Germany, Austria, Belgium, Spain, France, Netherlands, Italy, Portugal and Sweden, in our analysis.

Keywords: Productivity disparities, unbalanced economic growth, agglomeration.

JEL codes: R10; R11; R12.