

# Au revoir Paris! All the Spanish regions into the bunch, none at the front

Preliminary Draft

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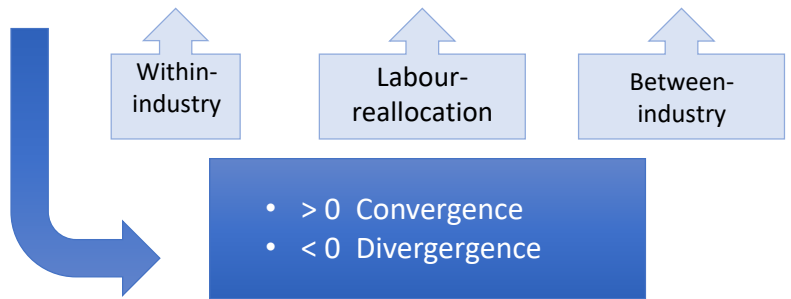
## OBJECTIVES

- To rank the position of the Spanish regions in Europe in the last upsurge of inequality, 2000-2015.
- To determine the role of the technological gap, “industry-mix” and industry specialization in explaining such disparities.
- The analysis is made with regard to the European average region and to the leading region: IDF.
- DATA source: BD-EURS (Nace Rev.2): 156 reg, 13 countries, 10 sectors.

## METHODOLOGY

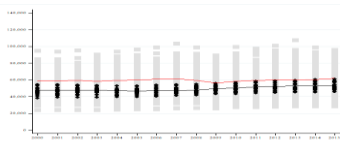
### Dynamic SHIFT-SHARE (Caselli & Tenreyro, 2004)

$$\frac{y_{i,t} - y_{L,t}}{y_{L,t}} = \sum_{j=1}^J s_{ij,t} \Delta \left( \frac{y_{ij,t} - y_{Lj,t}}{y_{L,t}} \right) + \left[ \sum_{j=1}^J \left( \frac{y_{ij,t}}{y_{L,t}} \right) \Delta s_{ij,t} - \sum_{j=1}^J \left( \frac{y_{Lj,t}}{y_{L,t}} \right) \Delta s_{Lj,t} \right] + \sum_{j=1}^J (s_{ij,t} - s_{Lj,t}) \Delta \frac{y_{Lj,t}}{y_{L,t}}$$

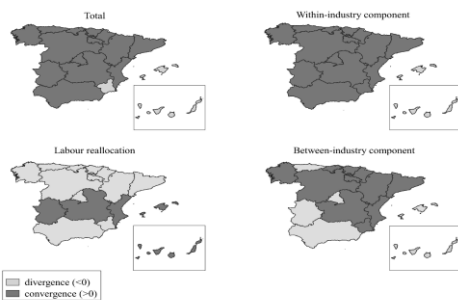


## GRAPHS

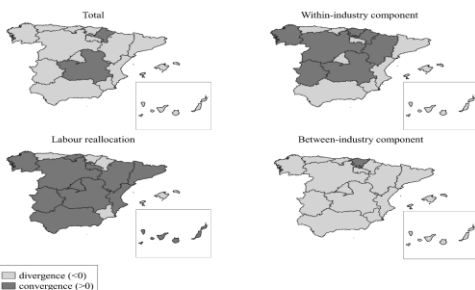
### Labour Productivity



### CONVERGENCE with EU-13 average region



### DIVERGENCE with IDF (Paris Region)



## RESULTS

- Increasing regional disparities in Europe since 2007, led by a handful of richest regions. At the head: Île de France and Inner-London.
- Spanish regions get closer to the European average and strengthen distances with the leaders. Only Navarra shorten distances with the EU leaders.
- Convergence with EU-13 average** lies mainly in the *within-industry* and *between-industry* component; but divergence in *labour reallocation*.
- Divergence with the leader IDF** (exc. Navarra & Castilla-LM) because of *within-industry effect* in manuf and serv (WRTAF, IC and prof) and by not specializing in more dynamic activities (*between-industry component*).
- Exc: Bas Country. Convergence by *labour reallocation*, but with a negligible impact.

### Economic Policy Implications

- EU Cohesion Policies result effective in convergence with the EU average.
- But the increasing gap of all the Spanish regions with regard to the EU leaders reveals a weakness in attracting the most progressive industries (between-industry) or coping with the most advanced technologies in each sector.
- More effort is demanded in innovation related variables (H, R+D, science and research infrastructures) but also in communication infrastructures to develop better connected markets (globalization).
- Spain has to implement specific policies devoted to promote technologically advanced sectors.

## REFERENCES

- Caselli, F., and Tenreyro, S. (2004). Is Poland the next Spain? In R.H. Clarida, J. Frankel, F. Giavazzi, and K.D. West, *NBER International Seminar on Macroeconomics*, Cambridge MA, 459-533.
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