

The IER Seminar in Empirical Economics

We would like to invite you all for the ninth IER seminar series in empirical economics that will be held at the *library of the Institute of Economics on December 8, 2011 at 14:00*.

The speakers are *Slavomír Ondoš and Andrej Sopkuliak* from the Department of Human Geography at Comenius University in Bratislava on:

Time-space variation in regional growth convergence across Europe

Please, confirm your possible participation by December 7th, 2011 to Tatiana Bujňáková at Tatiana.bujnakova@savba.sk.

We are very much looking forward to see you all at the seminar.

Kind regards

Marek Radvansky and Menbere Workie Tiruneh

Short abstract

Regional income growth remains among the central issues in regional science. This topic is directly related not only with economic theory, but also connected to European-level policymaking in previous two decades. Traditional convergence analysis of regional income growth has been subject of various extensions. Of many possible refinements we focus on two problems appearing interesting at least from research point of view. The first is translation of standard Barro-style regression model in spatial panel framework enabled by a set of currently developed spatial econometric methods. The second is revision of model parameters heterogeneity question traditionally approached through the club-convergence hypothesis. In particular, our intention is to explore ways to overcome the exogenous club-membership assignment. For the empirical tests we use a set of NUTS2 regional gross domestic products at current market prices per inhabitant observed in the EU27 and Turkey on annual basis between 1995 and 2008. Introduction of jointly significant spatial and time fixed effects, which enable floating multiple equilibria, still leads to parameter estimates biased by spatially lagged dependent variable and spatially autocorrelated error term. Estimating the spatial Durbin model including spatial and time fixed effects results in several findings. The non-spatial effect of starting level income on annual growth appears underestimated by 32.3% in respect to correctly estimated direct effect. The difference between point estimate and direct effect implies a relatively small spatial feedback of 4.1%. The interesting implication is that indirect effect from starting level on growth is -49.0% of direct effect. Summarized in economic terms, the European regional system including Turkey converges by 1.1% annually, with half distance to the floating steady level 60.5 years, which is only slightly above half the traditional figure of 2%, implying a slow convergence process in a representative region. Further question arises how this convergence process is actually composed across time and space at lower scale levels.