

Regional Policy in a Rapidly Changing World

Towards *evidence-based outcome oriented* policies

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Outline

- Some context
 - ‘History’ of regional policy
 - Barca report – changed view on regional policy
 - Logic of place based policies
- Evidence based policy
 - Notion of outcome indicators
 - Criteria for application
- Remaining challenges

A brief 'history' of regional policy

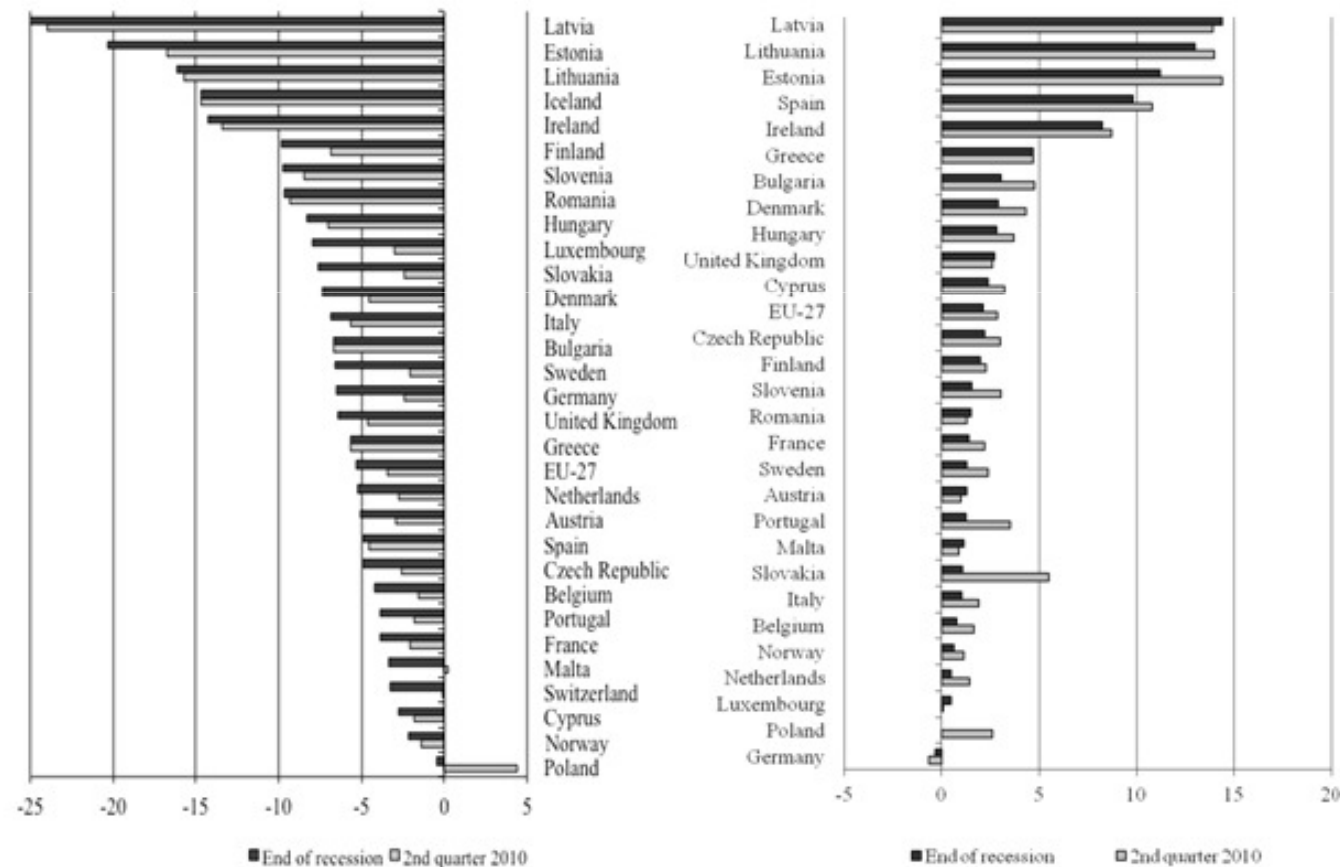
- Initially focused on speeding up convergence
- Discussion on effectiveness
 - Crowding out, selection of specific type of projects, spatial spillovers / leakage, conditional effectiveness
- Proposed reforms
 - Broader set of goals – EU 2020 goals
 - 'Place based' policy – Barca Report
 - Outcome indicators – ex post evaluation (instead of accounting)
 - Joint development of policies between region and 'Brussels'

The logic of place-based policy

- Emphasised by Barca report
- Various underpinnings, theoretically and empirically
 - Spatial variation in stage of development
 - Spatial variation in preferences
 - Limits to mobility of people
- But also debated by many
 - Mainly by suggesting inconsistency between people- and place based policy

Heterogeneity – Recession in Europe

Figure 2. Spatial heterogeneity in the effects of the crisis: change (in %) of GDP (left panel) and change (in %-point) of unemployment (right panel) relative to the pre-crisis level



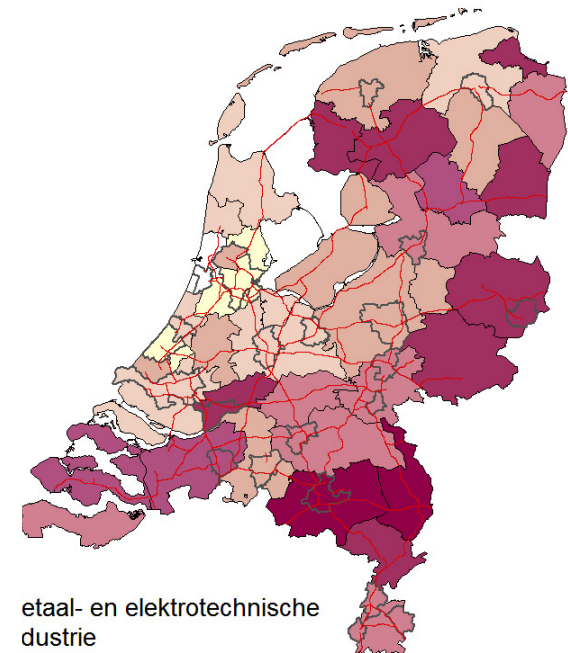
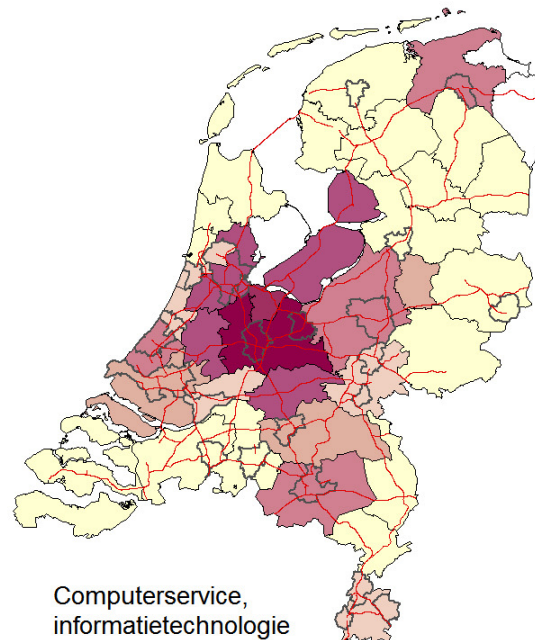
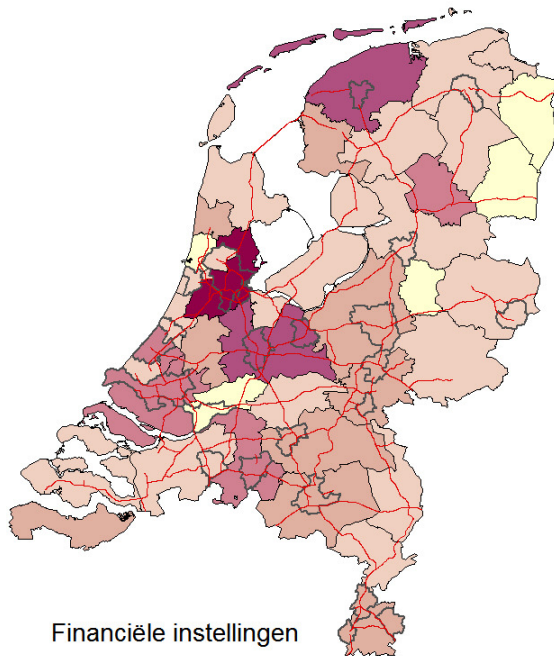
Source: Eurostat, Quarterly National Accounts statistics, December 2010

Groningen - January 24-25, 2013

Heterogeneity – Recession in Europe

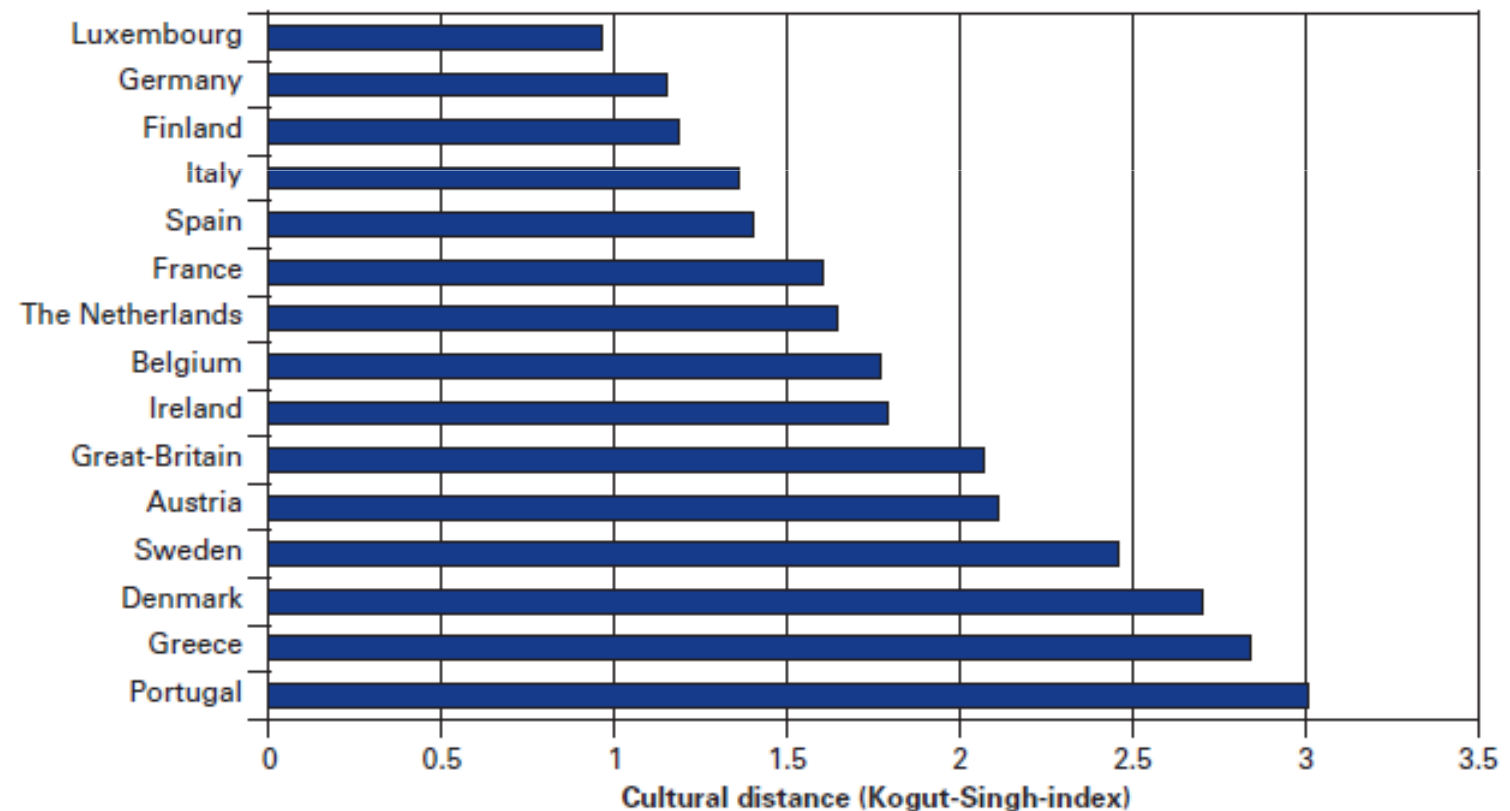
- Huge variation across Europe
 - This holds both within as well as between countries
- Caused by
 - Different sectoral specialization patterns
 - Different institutional settings
 - Different degrees of integration in the world economy
 - Different preferences
 - (Different responses to ‘euro straightjacket’)

Huge sectoral variation across space



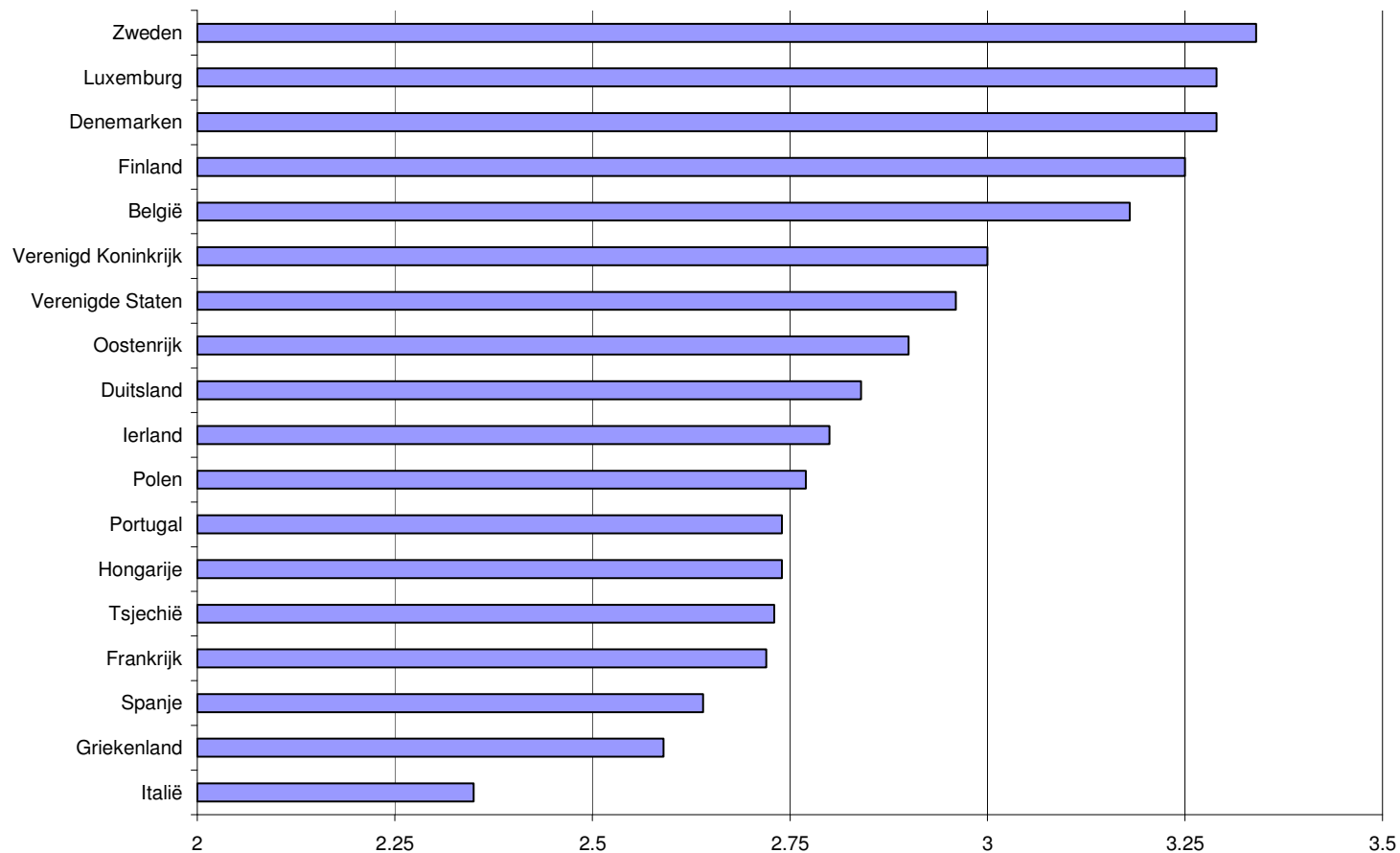
Huge cultural variation in Europe

Figure 3.1 Average cultural distance between EU 15 countries and the other EU 15 countries



Variation in bilateral trust

Trust of Dutch in other countries



Groningen - January 24-25, 2013

Implications of heterogeneity

- One size fits all policies are an illusion
- Need for place based policies
- Learning from the past
 - More focus on evidence base and learning
 - Away from sectoral focus
- Faced with complex trade-offs

Impressive challenge ahead

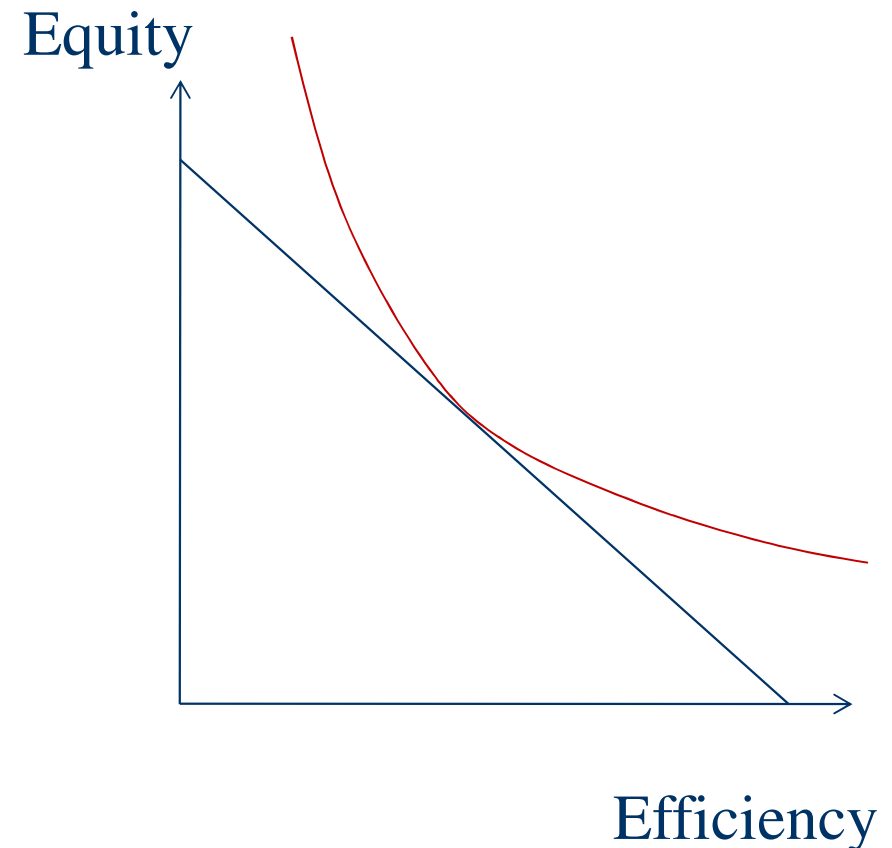
- Smart growth
- Sustainable growth
- Inclusive growth
- Against the background of equity-efficiency trade-offs requiring need for integrated approach

Fundamental trade-offs – some theory

- Growth – inequality
 - Kuznets curve hypothesis (inverse u-shape)
- Growth – sustainability
 - Environmental Kuznets curve
 - Porter hypothesis
- Specialization – (related) diversity
 - Agglomeration literature

Facing the trade-offs

- World with winners and losers (regions or people)
- Notion of frontiers
 - Moving towards frontier
 - Moving frontier out
 - Optimal position conditional on preferences



Towards more evidence based policy

- Three methodologies to evaluate effectiveness
 - macroeconomic I/O type of models
 - case studies
 - econometric approaches (ex-post evaluation)
- Increasingly recognition of need for ex post approaches
 - collection and disclosure of data
 - policy as part of a continuous learning process

Result / Outcome indicators

- Measurable and result / outcome oriented
- Fits in ambition to be more 'evidence based'
- Criteria for 'good' outcome indicators
 - Reasonable
 - Normative (but note the trade-offs)
 - Robust
 - Responsive to policy (but note limits to indentify causality)
 - Feasible (but probably also need for some new data collection)
 - Debatable

Some final remarks – I

- Scope for smart policies
 - People *and* place based policy
 - Balance between specific and generic policies
- Identify market failures policy
- Perform a subsidiarity test and acknowledge trade-offs
- Evaluate, learn, adjust and take into account time- and place specificities

Some final remarks – II

- Acknowledge complexities – build your case
- And always keep in mind the ultimate goal of policies bearing in mind that ‘... throwing resources at troubled [regions] is usually a terribly inefficient means of taking care of troubled people. Helping poor people is an appropriate task for government, but helping poor places is not’ (Glaeser, 2011, p. 250)

More information

- Mail me h.l.f.de.groot@vu.nl or check www.henridegroot.net
- Conditional effectiveness
 - <http://onlinelibrary.wiley.com/doi/10.1111/j.1467-6435.2006.00318.x/abstract>
- Funds and Games
 - <http://www.cpb.nl/sites/default/files/publicaties/download/funds-and-games-economics-european-cohesion-policy.pdf>
- Crisis sensitivity of European regions
 - <http://www.tinbergen.nl/discussionpapers/11071.pdf>
- Cultural diversity in Europa
 - <http://www.scp.nl/english/dsresource?objectid=22014&type=org>