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“Crisis and NUTS-3 regional competitiveness in Italy: territorial capital and spatial effects”

The paper aims at analysing the impact of territorial capital endowment on the economic growth process measured by exports and employment growth for the 103 Italian provinces (NUTS-3 regions) over the period 1999-2014. A broader concept of territorial capital has been used (Camagni, 2009) which takes into account goods and services on the basis of different degrees of appropriability and rivalry (public or private) and of the material or non-material physical content. Our goal is to identify strategic elements of territorial capital that might help to enhance the absorption capacity of provinces or macro-areas in the most recent recession and the possibility of resilience in the future. By making use of a large data set concerning different indicators of territorial capital over Italian NUTS-3 regions we firstly estimate a 3-periods panel growth model for exports and a 2-periods for employment (due to restrictions on data availability). The model takes into account the differential role of territorial capital indicators before and during the crisis period. Our results, robust to several model specifications, point at social fixed, natural and human capital indicators as the driving forces of the growth process at a NUTS-3 level. Aware of the potential misleading results that could arise from neglecting externalities across territorial units, we have also applied spatial econometrics tools (Elhorst, 2010a) to test for the importance of spatial externalities and to discriminate the effects of spatial dependence from that of spatial heterogeneity and of omitted variables. Overall, our analysis shows the utility of decomposing territorial capital in order to disentangle the relative effect of each dimension on the performance during the crisis. It appears that some dimensions of territorial capital (human capital) are strongly related with (export) performance. The relevance of other less material and traditional dimensions (such as social capital, relational capital, agglomeration economies, natural and cultural capital) depends on the model specification. When using employment as a performing variable, most results are confirmed. The consideration for spatial models allows to stress the role of spatial spillovers in different fashions. The spatial Durbin model comes out to be the preferred one also because it enables us to discriminate between direct and indirect effects. This, in turn, may shed light onto the complementary or substitution effects across provinces for each territorial capital dimension thus giving a possible explanation to some counterintuitive signs of the explanatory variables. An extension of the analysis includes the estimation of a spatial Durbin model allowing for the possibility of two regimes

(Elhorst and Freret, 2009). This allows the computation of the interaction effects of the dependent variable with the dependent variable in the neighbouring provinces in the two regimes (pre and post-crisis) as well as of the degree of interaction between the two regimes.