

Politique de cohésion européenne et crisi économique: l'Italie du Sud à la dérive?

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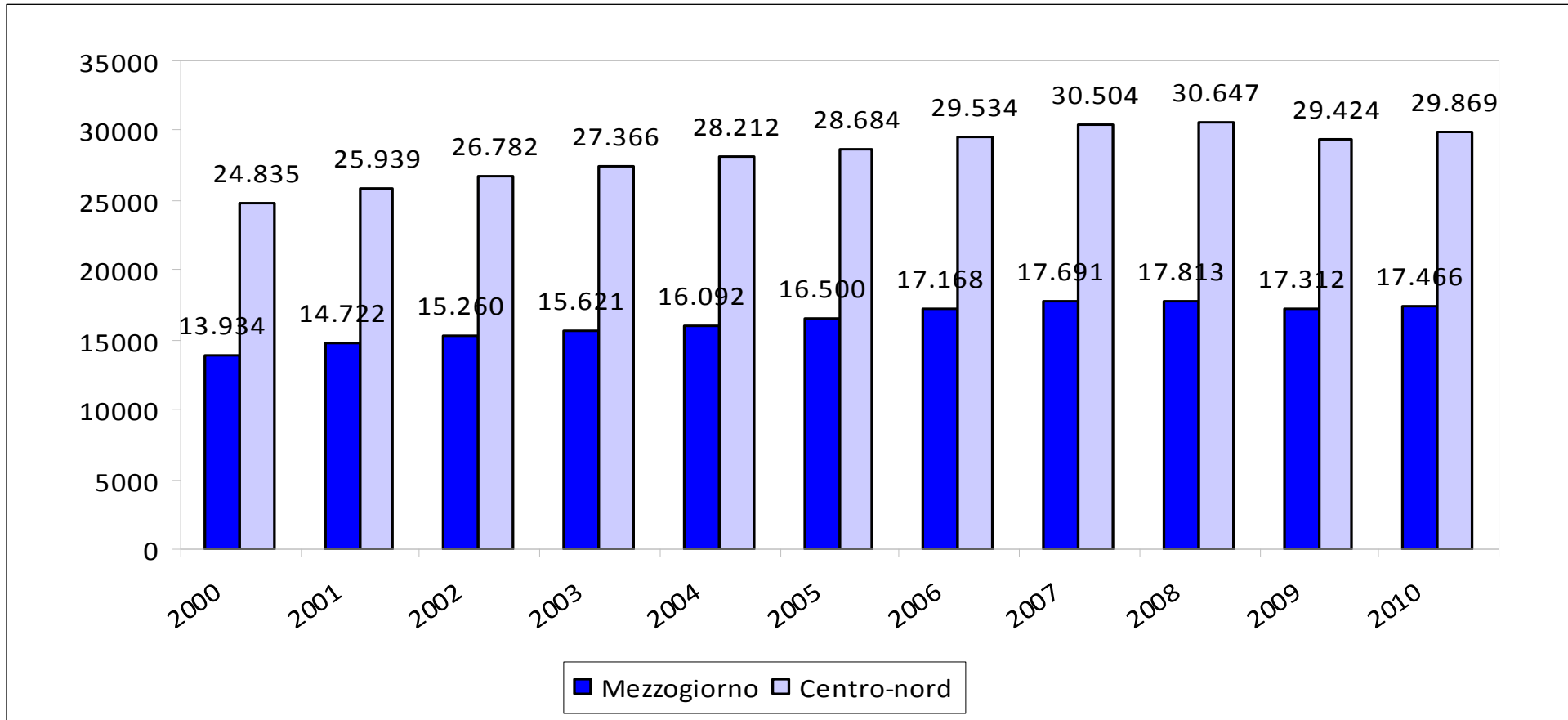
1. Some data and recent trend

Italian *dualism*: Centre-North and *Mezzogiorno*

What do we mean for *Mezzogiorno*? We mean the problems of the Italian south -eight regions, that are Abruzzo, Molise, Puglia, Campania, Basilicata, Calabria, including Sardinia and Sicily. This means that more than 40% of Italian territory and more than a third of Italy's population: 123 thousand square kilometers on total 301,336; 20 million 913 thousand inhabitants on more than 60 million (34,5%).



ECONOMIC *DUALISM*: GDP GAP PER INHABITANT



The MEZZOGIORNO'S GDP IS ABOUT 58,4% THAN THAT OF the CENTRE-NORTH

GDP per capite (Ue=100) Regions Convergence and regions Competitiveness in some European countries

	2000	2001	2006	2007	2008	2009
Italia						
Corv	75	76	68	67	67	68
Comp	138	139	121	121	121	120
Germania						
Corv	78	78	82	83	83	84
Comp	126	124	122	123	123	122
Spagna						
Corv	72	73	81	82	82	82
Comp	121	122	126	126	124	124
Portogallo						
Corv	67	67	65	65	64	66
Comp	114	113	111	110	109	112
Rep. Ceca						
Corv	62	63	68	68	68	70
Comp	138	148	168	170	175	176
Slovacchia						
Corv	42	44	53	56	61	59
Comp	108	115	147	160	168	178

Table 2. GDP (Annual average changes*, %)

	2001-2007	2008	2009	2010	2011
<i>Mezzogiorno</i>	0.9	-1.7	-5.1	0.6	0.1
Centre-North	1.2	-1.2	-5.4	2.0	0.6
Italy	1.1	-1.3	-5.3	1.7	0.4

*Calculated on chained values– base year 2000



Table 1. Recovery from GDP crisis (a)

Countries and macro-regions	Growth rate 2007-2011	Difference with respect to 2007
<i>Mezzogiorno</i>	-1.6	-6.1
Centre-North	-1.0	-4.1
Italy	-1.2	-4.6
Euro-zone	-0.2	-0.9
Germany	0.5	0.9
France	0.1	0.3
Spain	-0.7	-2.7

(a) At constant prices, chained values– base year 2000



JOB EMERGENCY AND SOCIAL DYNAMICS: THE YOUNG AND WOMEN CONDITION

“The crisis has shown the effects of a long phase in which public policies seemed to have missed their target of reducing inequality of incomes and opportunities among citizens, which is central to activate stable growth processes.

In light of this, it is possible to read the economic and social recession of the mezzogiorno, the Italian south. But we can also draw important policy implications in this particular moment of ever-tightening fiscal policy measures.”



JOB EMERGENCY: HALF MILLION OF JOB LOSSES

First quarter 2008 – First quarter 2012

-536,000

**-366,000
to the SOUTH
(-5.5%)**

**-169,000
to the NORTH
(-1.0%)**

**27% employed
69% job losses**

**73% employed
31% job losses**



JOB EMERGENCY: YOUNG PEOPLE CONDITION

Employment change by age categories (First quarter 2008 – First quarter 2012)

Age groups	Mezzogiorno	Centre-North	Italy
aged 15-34 years	-433,000 (-21%)	-927, 000 (-17.9%)	-1.36 m (-18.8%)
aged 35 years and over	+67,000 (+1.5%)	+758,000 (+6.4%)	+ 825,000 (+5%)



Employment Rate (aged 15-34 years)

	II quarter 2008	II quarter 2012
Mezzogiorno	37.2%	31.3%
Centre-North	60.3%	52.0%
Italy	51.2%	43.9%

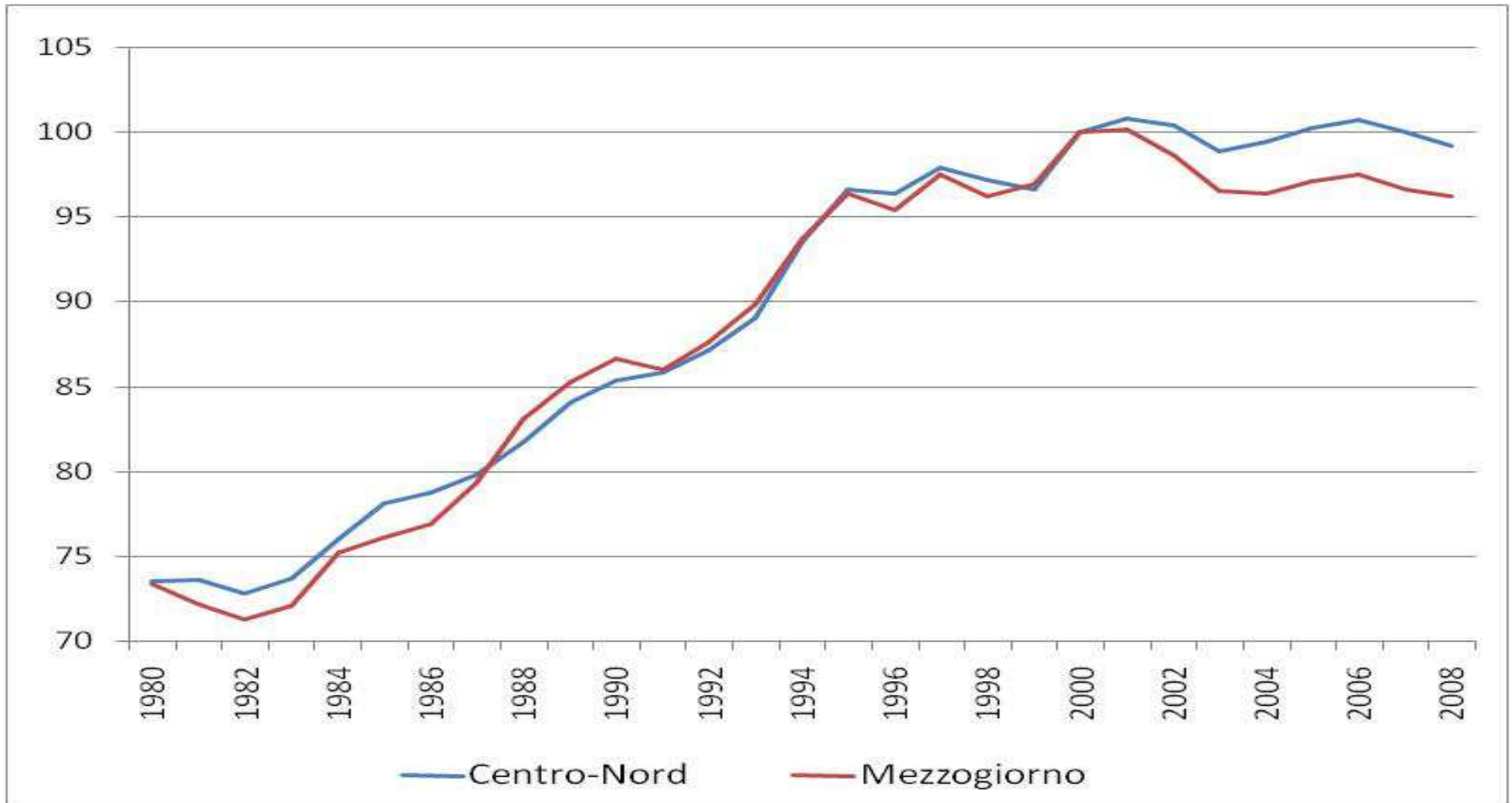
* I quarter 2012

Average EU (25) *	54.5%
France	52.9%
UK	62.3%
Spain	45.6%
Germany	63.5%
Turkey	43.7%
Holland	73.8%



2. Integration process and structural changes in the Southern productive system

Value added per hour worked. Index number 2000=100 in the business sector (a)



(a) Industry and service sector

AK MODEL

One of the most important theoretical and empirical framework within economic growth studies is the extended family of endogenous growth models, the so-called 'AK' model, i.e.:

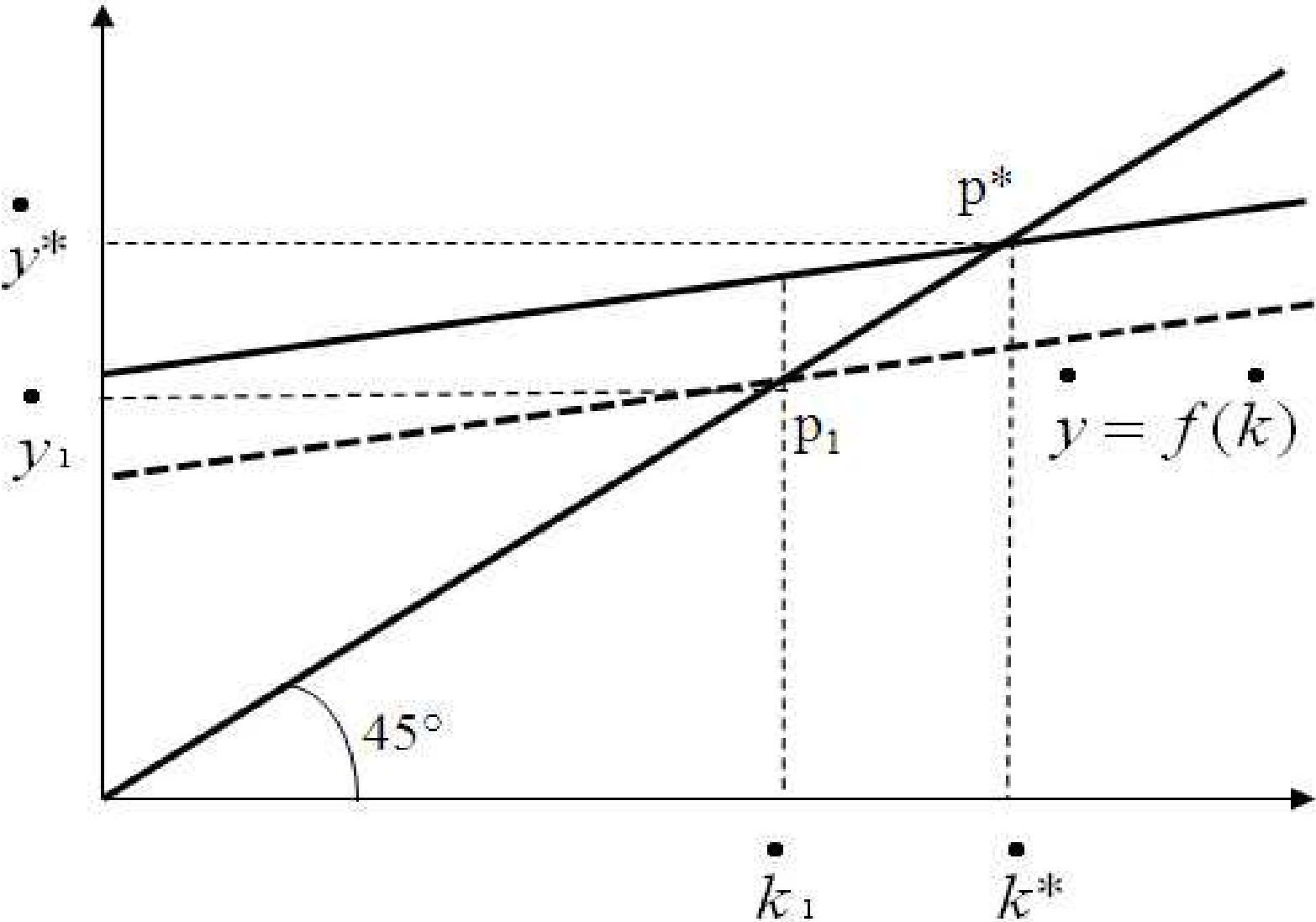
$$Y = AK \quad [1]$$

In the case we consider explicitly the labour input, the production function (1) can be written as:

$$Y/L = Y/K * K/L \quad [2]$$

Thus, the productivity of an economic system can be expressed in terms of capital endowment (K/L , or capital intensity) and "efficiency" (Y/K)

Theoretical background - Technical progress function (TPF) by Kaldor



ESTIMATED MODEL (ECM)

$$\Delta \log(y_h) = a + b \Delta \log(k) + c \Delta \log(Y) + dLRun(-1) \quad [3]$$

where:

y_h : value added per hour worked

k : capital/labour ratio

Y : value added

and the term $Lrun = \log(y_h) - (\alpha + \beta \log(k))$ [2]

is the long-run term linking the productivity growth to the rise of capital/labour ratio. This variable provides an indication of structural dynamics of an economy, i.e. it indicates the absorptive capacity and diffusion of a technical progress that can be available (movements of the function $y_h = f(k)$ up and down of the 45° line).

Cointegration analysis between $\log(y_h)$ and $\log(k)$

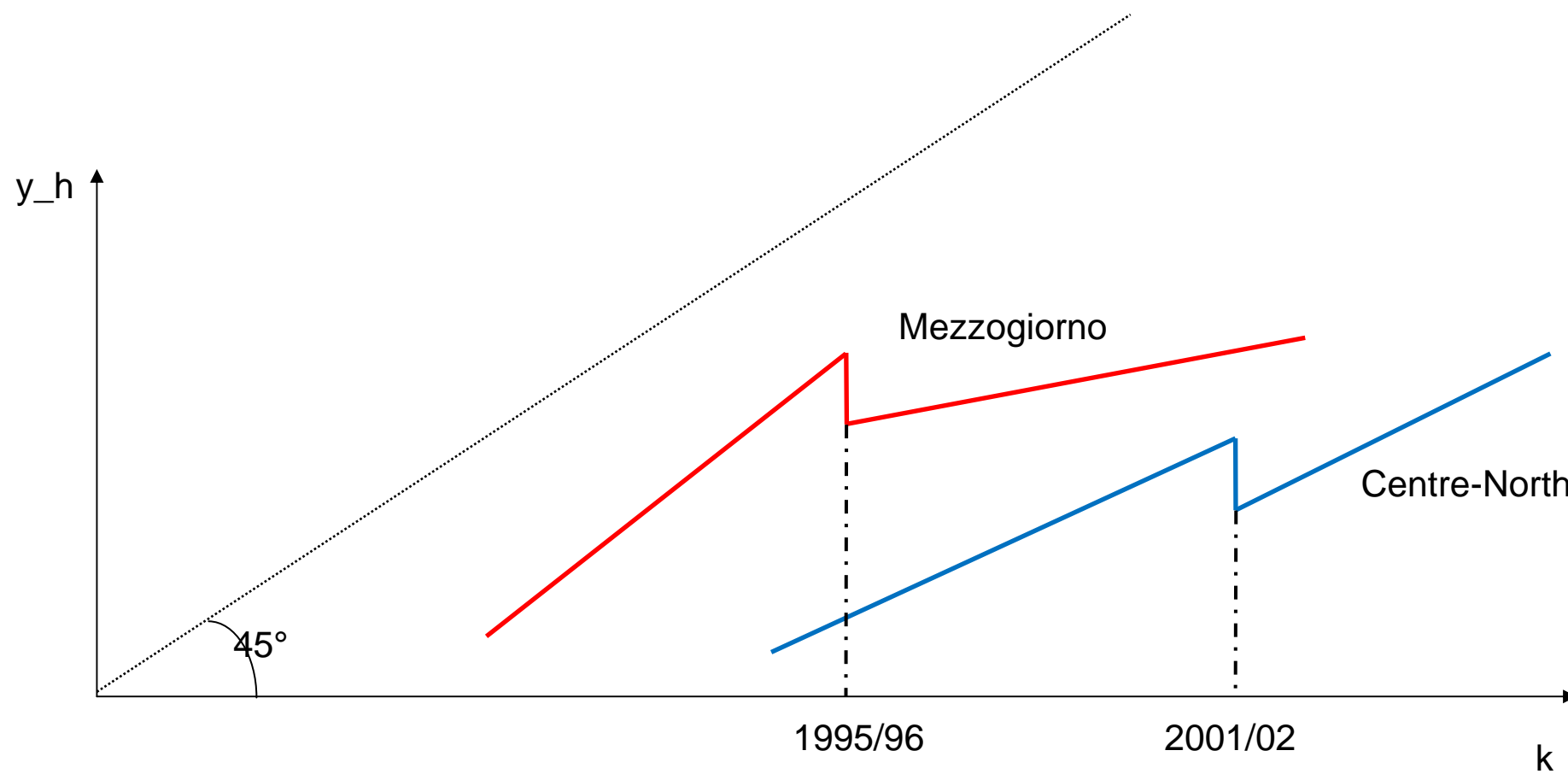
	Coefficient	T-Statistics
Centre-North		
Constant < 2001	-7,71	-65,7
Constant > 2002	-7,74	-63,1
Log k	0,71	33,2
Mezzogiorno		
Constant < 1995	-8,68	-22,9
Constant > 1996	-6,63	-5,9
Log k < 1995	0,82	12,2
Log k > 1996	0,47	2,5

ECM equation relative to the hourly productivity in the business sector (a) in the Centre-North and Mezzogiorno of Italy

(a) Industry and service sector

	Centre-North	Mezzogiorno
Constant	-0,01 (-1,86)	-0,01 (-1,91)
$\Delta \log Y$	0,67 (4,38)	0,67 (6,85)
$\Delta \log k$	0,48 (2,74)	0,57 (3,87)
<i>Lrun</i> (-1)	-0,51 (-3,68)	-0,45 (-2,94)
Dummy 1985		-0,017 (-8,25)
Dummy 1994	0,022 (7,36)	
Dummy 1998		-0,017 (-2,8)
Dummy 1999	-0,009 (-2,63)	
Dummy 2000		-0,022 (4,499)

A graphical representation of the results from estimated ECM equation



Results

The value linking the output–Verdoon coefficient–to the (hourly) productivity takes, in both macro-regions, relatively higher values and, most importantly, they are quite similar.

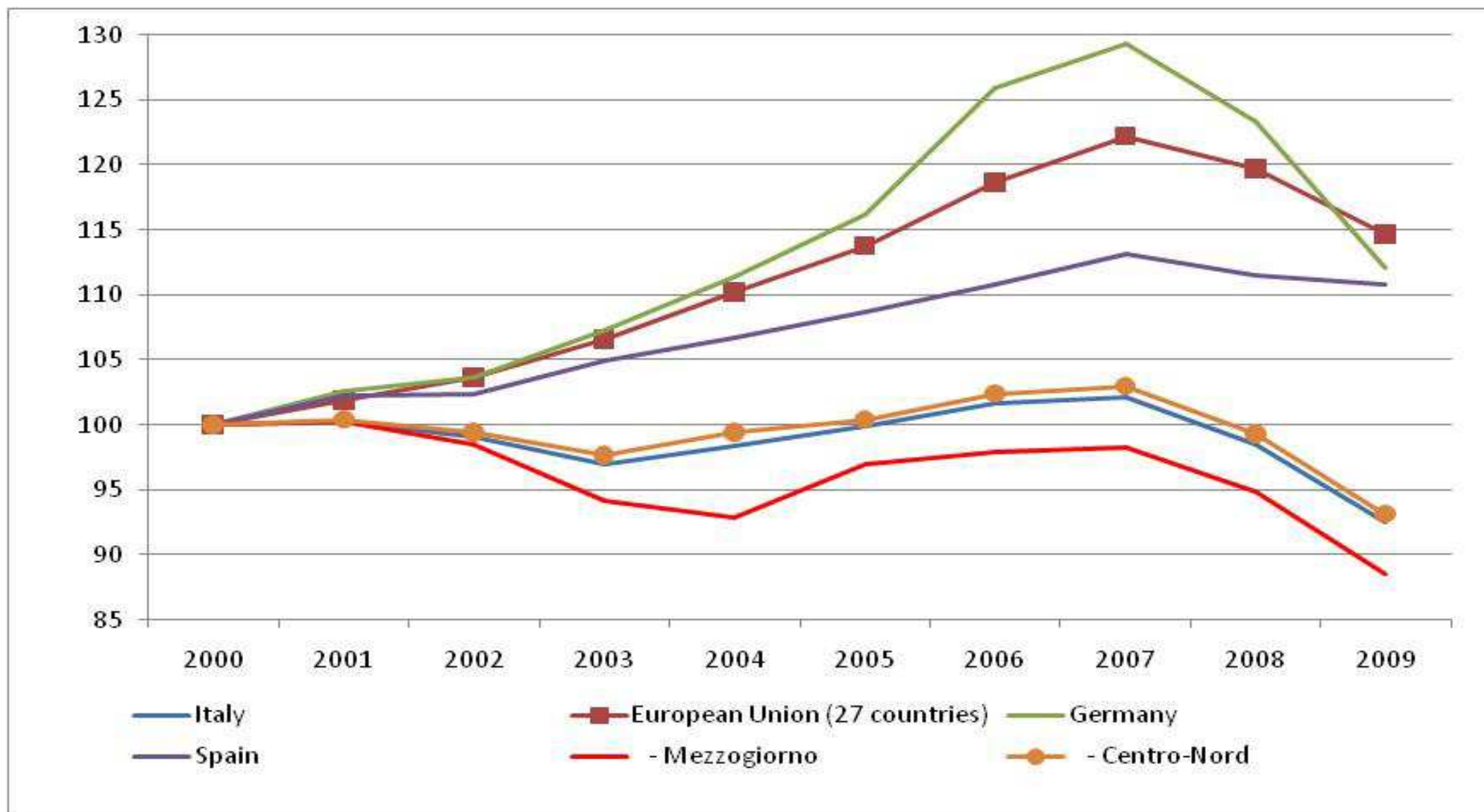
The *error correction term* comes, in fact, from residuals of a long-run relationship with *splines*, in Mezzogiorno, both in the constant, and in the Centre-North, and in coefficients of y_h and k , differently from the other macro-region.

Centre-North: the *break* in the constant is indicative of a competitive *shock which* worked on the absolute size of the system, but *not* on the main relations within the system (2001 is the year where competitive pressure from abroad show up).

Mezzogiorno: the *full break* shows up between the end of Extraordinary Measure and the beginning of a new *Policy* (New Programme, 1998): the loss of *policy* effectiveness in stimulating the accumulation process. (Between 1991 and 1995 gross investments in the South fell down of about 16 billions of euros, which is equal to 1/3 of the level recorded in 1991, which will not be reached anymore).

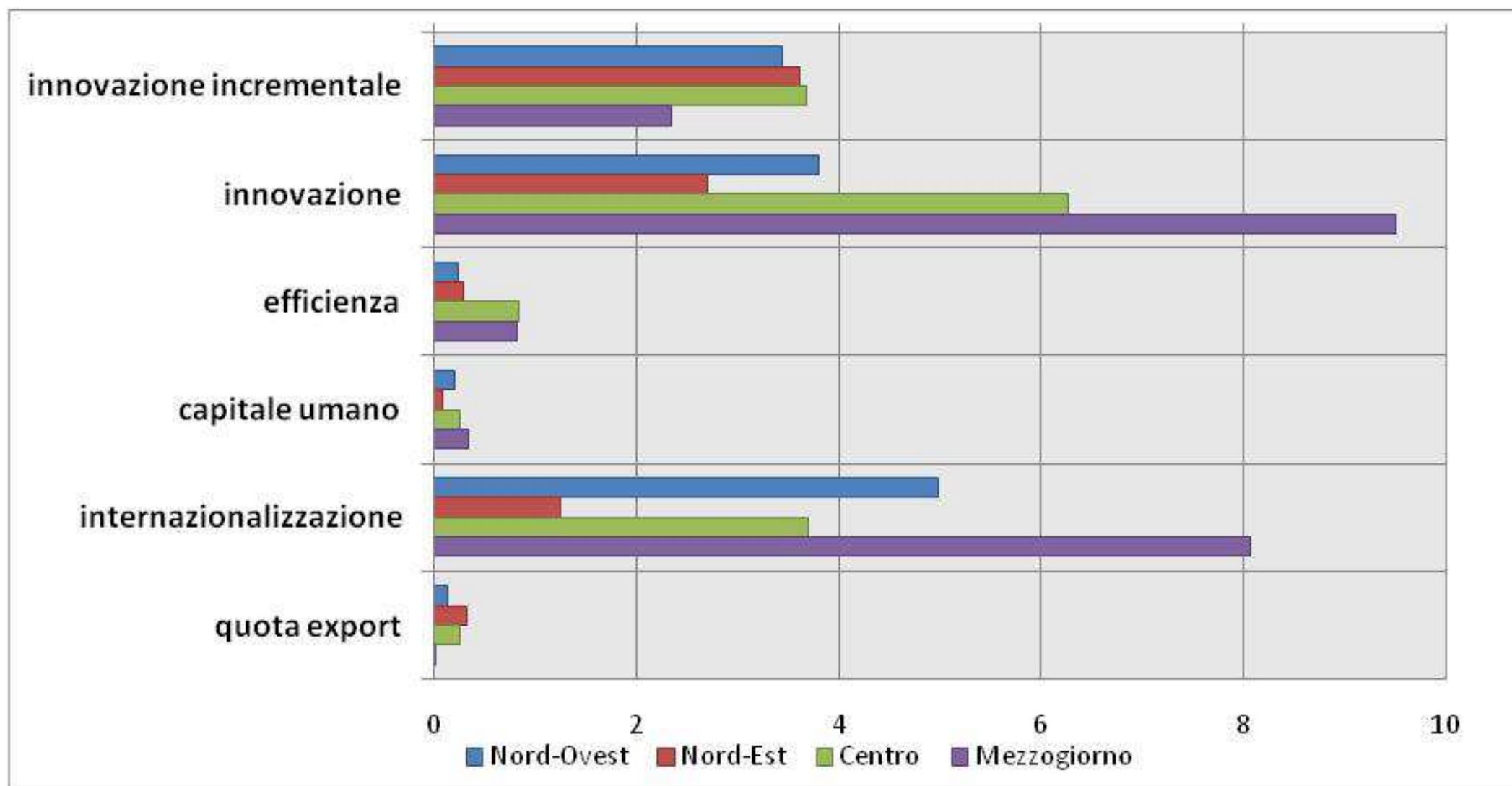
**A deep look on the endogenous
causes of the reopened
productivity gap:
manufacturing industry**

Productivity (a) in the manufacturing from 2000 to 2009, index number 2000=100



(a) Value added computed on chained prices per hour worked

Drivers of economic growth in manufacturing after the euro



Product innovation / export. Values of firm population in manufacturing

Number of manufacturing firms active in 2007: 513,337 (ISTAT).

2004-2006: the percentage of firms reporting product innovation is around **11,8%** (about 61 thousand firms).

North-west	North-East	Centre	South
41.6%	36.6%	14.8%	7.0%

Number of exporting firms up to 2006: 87,444 (ISTAT), about **16.8%** of total firms

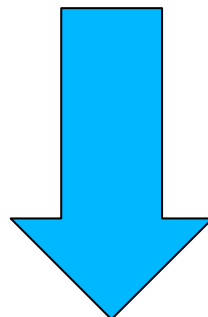
North-west	North-East	Centre	South
39.8%	29.0%	19.3%	11.9%

Centre-North (numerically limited adjustment)

Strategies based on more than one competitive drivers. Among them, innovation and internationalisation drivers play a crucial role and are the most effective. (In 2001, the macro-region 'North-West' is better placed in such endowments).

South (divergence)

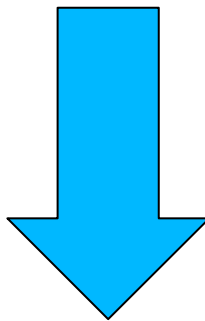
Causes of integration processes: *«greater disparity in regional growth rates, because with increased factor mobility regions will tend to adjust to shocks by adding or shedding resources rather than by adding or shedding industries» (Krugman, 1999).*



Chance of asymmetric shocks

What happened in 2009: in front of a fall in exports oscillating among 20% and 24% in the main macro-regions, the output slowdown in manufacturing showed an equal intensity, around 15 percentage points. Here we recall that, concerning the degree of openness on global markets, the South (8%) is about one-third of the corresponding value we observe in the two macro-regions of the North (around 22%).

The global market for manufacturing firms located in the South is historically of small size, and it remained unchanged. Meanwhile the domestic market, the most commonly-used market, has shrunk.



Drastic slowdown of the competitive force of the Mezzogiorno

A restart of migration flows comparable to that reported in 1950-1960s

Changes of residence:

Mezzogiorno 114,000

40% of graduated (scientific subjects) people

Long-ray commuters:

Mezzogiorno 134,000

