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Economic Trajectories of the Spanish Regions in the Post-Crisis Scenario: Neighborhood, Specialization and Agglomeration Effects

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INTRODUCTION AND OBJECTIVE

Spanish economic landscape and regional dynamics have been altered during the last decade as a consequence of the succession of a deep crisis (2008-2013) and a recovery still in progress (2013-2017). Although there are considerable differences between what happened during recession years and in the years of recovery, it is possible to detect some underlying trends that imply structural changes affecting the Spanish development model and its territorial configuration.

Nowadays there is a clear consensus considering that the process of regional convergence in Spain stopped, or at least slowed down, in the last decades of the 20th century (Cuadrado, 2010, Tirado et al., 2015). Additionally, in clear contradiction with what would be predicted according to the thesis of the regional convergence, there is already enough evidence to affirm that since the outbreak of the crisis in 2008 we have entered into a new stage of increasing inequalities: in general terms, the richest regions have better withstood the recession phase and are growing more rapidly in the recovery phase than the poorer regions.

Following the synthetic conception of regional growth proposed by Roberta Capello - models MASST: MAcroeconomic, Sectoral, Social and Territorial model- (Capello & Fratesi 2012, Capello 2016), the growth differential of a region can be explained, along with the industrial mix, by its territorial capital derived from social, institutional and spatial assets (innovativeness, qualifications, infrastructures, trust relationships and social capital, spatial spills and agglomeration economies). Within this conceptual framework we will try here to quantify the differential dynamism of each region, and to establish its origins, of both sectoral and territorial nature.

METHODOLOGY

We will apply a shift-share analysis in order to break down the components that explain the differential economic evolution that Spanish regions have shown during the last decade, considering separately the



years of strong recession and fall in employment and activity (2008-2013) and the post-crisis recovery period (2013-2017). We will use one of the extensions of this technique proposed in recent years, the so-called spatial shift-share (Nazara & Hewings (2004). The main idea underlying this approach is that, depending on the geographical position of each region, there will be more intense relationships with neighbouring regions, and then we should consider distance (or proximity) between regions in order to establish the different national context affecting each region.

This breakdown of the particular dynamics followed by each region makes it possible to distinguish three different components (or effects), which can be assimilated, and be considered as valid approximations, to the main factors explaining regional growth differential proposed by Capello in her MASST model (Capello & Fratesi 2012; Capello 2016):

1. A *relational* component, which can be calculated as the difference between the gross registered national effect and the neighbourhood-weighted national effect. This component could be considered as the relative effect the region receives as a consequence of its position within the network of relationships, interactions and interregional exchanges, reflecting “the capacity of the region to grow by virtue of resources from other regions - growth spillovers” (Capello and Fratesi, 2016, 301).
2. A component derived from the regional sectoral structure-the *neighbourhood-weighted structural effect*-that, depending on the relative presence of smaller or greater sectors with more or less favourable dynamics, conditions the total growth registered in the region, and would constitute a fundamental part of the “sectoral component of growth” (Capello & Fratesi, 2016, 300)
3. A component derived from the specific behaviour of the sectors in the region - *the neighbourhood weighted territorial effect* - that captures the elements that would integrate most of the “assets of territorial capital and integrated by Capello in the MASST model (Capello & Fratesi 2016, 299-301). This third regional component of growth, which is more markedly territorial in nature, is the one that more accurately indicates the differential dynamism based on the existence of competitive advantages built at the local / regional scale.

In addition, we will build location-specialization matrices for the 17 Spanish regions and 11 sectors in 2008, 2013 and 2017 in order to establish the general processes underway regarding the distribution of economic activity in the territory in order to identify the emergence of regions where location and urbanization economies are presumably present.

MAIN RESULTS

The results obtained show the role played in the Spanish regional dynamism by the three proposed growth components or effects: neighbourhood, specialization and agglomeration.

During the years of deep crisis, the potentially beneficial effects derived from a more dynamic neighbourhood had the effect of mitigating to some extent the fall in activity in the interior or Northwest regions better connected to Madrid. The panorama changed radically when we entered the recovery phase. At that moment, the Mediterranean axis of development re-entered into growth, and it is in this corridor and in the best regions connected with where the greatest positive spillovers for growth are observed

The different sectoral specialization, has had also a strong impact on the evolution registered by each region. In recession years, it was the specialization in tourism s, and to a lesser extent in agriculture, what made it possible to alleviate in some regions the effects of the crisis, particularly in the Balearic and Canary Islands. On the other hand, the specialization in the construction sector, and to a lesser extent in the manufacturing industry, exacerbated the effects of the crisis in Castilla-la Mancha or the Valencian Community. On the contrary, in the years when growth recovers, the leadership in growth passes to the manufacturing industry, financial services and professional and producer advanced services. Then the industrial regions and Madrid regions improved sharply their structural component of growth.

Territorial concentration of sectors and the sectoral specialization of territories are the result of the response that each region has given to the challenges posed by the crisis. In a context of globalization and



growing importance of the international market, each region has tended to deepen the previous specializations where experience, a dense business fabric and the presence of services and auxiliary industries help to achieve greater competitiveness. Moreover, changes in the location pattern of economic activities are not the result of a mere passive adaptation to the generalized decline of the construction sector; on the contrary: they are showing active processes of differential growth based on the internal strengths of each territory.

The presence and strengthening of location-specialization economies, shows a direct correlation with the territorial component of growth. However, it is also true that sectoral agglomeration processes are not always enough powerful to crystallize into a positive or growing territorial component, especially where urbanization economies are weak and/or the general sociodemographic dynamic is markedly regressive.

CONCLUSIONS

One of the outcomes of the economic crisis in Spain has been a marked increase in interregional inequalities and a growing territorial concentration of economic activity. The new growth pattern, closely linked to international demand (tourism, exports), has contributed to concentrate growth in regions showing competitive advantages based on their particular resource endowment, their productive trajectory and the existence of economies of scale. Location and urbanization. This has led to a process of deepening in previous productive specializations (manufacturing industry, tourism, agriculture or advanced services) taking advantage of existing experience, knowledge and capabilities.

The territorial component of growth that we have isolated for each region and period through the shift-share analysis, can be considered a good approximation to the differential behaviour of the sectors in the territories depending on elements of purely local character: historical trajectory, institutional and cultural elements, quality of entrepreneurship, business structure and a cluster of elements that can be included under the concept of agglomeration economies, both localization and urbanization.

Taking this into account, it can be said that there is a geography of economic recovery very different from the geography of the crisis. In the recession years, only Madrid, the Basque Country and Navarra present a positive territorial component as a result of stronger business structures and more intense innovative behaviour and a healthier fiscal system. At the same time, the territorial component in the Mediterranean regions, from Catalonia to Andalusia, was markedly negative, as a result of a greater impact of the housing bubble and the associated financial and fiscal crisis. The impact of the crisis was undoubtedly asymmetric, as was the impact of the recovery. Since 2013 the Mediterranean regions along with the Basque Country and Madrid became the leading region. This new turn can be explained by the presence of regional economic structures more focused on foreign markets that build their competitiveness, at least in part, thanks to the use of localization economies

However, the effects of the sectoral agglomeration do not fully explain the differentials observed in terms of the territorial component of growth. It is also necessary to explore other explanatory dimensions that have more to do with urbanization economies, both derived from urban size and the internal variety of economic structures, as well as other specific elements such as innovative behaviour, socio-institutional elements or human capital. In any case, it seems clear that this productive change is associated with a new 'spatial fix' (Harvey, 2001a, 2001b), a new configuration of the map of regional growth that does not suppose a simple return to the prevailing guidelines previous to the crisis.