Regional Economic Development in Romania.  
Factors of Influence, Patterns of Growth, Inequalities and Convergence

ABSTRACT

Economic theory and practice have long acknowledged the economic relevance of space, as specific endowment with natural resources, human capital and physical assets, geographical accessibility, markets’ proximity, etc. make location an important source of advantages or disadvantages that translate into higher or lower economic development. This topic is equally of interest for economic decision makers in search of effective actions in support of local development.

In this context, the first part of the habilitation thesis displays the most relevant results from my core research published after defending the PhD thesis. Exploring new and improved tools for spatial analyses, I attempted a sketch of the regional economic development in Romania in the last 20 years, a period long enough to cover transition to market economy, economic growth, accession to EU, crisis and recovery.

Starting from the New Growth Theory perspective on technical progress and development, I firstly employed the standard Cobb-Douglas model to test the relevance of research and development (R&D) as a source of endogenous regional development in Romania and found that it had a positive but small contribution to regional GDP growth. In the same line of research, I captured R&D impact on regional growth by means of a knowledge production function model, obtaining similar results. Another approach on R&D driven regional growth was based on a panel data model (controlling for region-specific differences in the factors of influence) that confirmed the positive outcomes of the growth strategy based on innovation. Research performed by the higher education sector is also a relatively significant factor of influence for the Romanian regional development, but its economic impact is much lower.

Another regional growth factor addressed in my research is the foreign capital, as a vehicle for modernization, competitiveness and economic development. In accordance to previous literature, I found that FDI stocks had a positive influence on regional GDP/capita, although their rather low impact on the overall economic performance of the regions suggest that their potential benefits are not entirely harvested. Other important factors that influence regional growth in Romania are the domestic capital and technology.

Spatial inequalities were largely explored in my papers because they put at risk the effectiveness of regional development policy. I assessed the trend in territorial disparities over a long interval of time, combining various statistical indicators and methods. I developed a new synthetic indicator able to provide a better picture on territorial inequalities by incorporating several variables and I further estimated its impact on regional development by means of an economic growth model. The results suggested that regional development was systematically unbalanced in Romania and the disparities have had the tendency to widen with economic growth, with some deviations in the sub-periods, depending on the evolution of the national economy as a whole. The divergence was amplified during recent years by the overlapping impact of the efforts to accommodate to the rigors of EU membership with the negative effects of the recent economic crisis.
A related topic is the regional divergence process, approached in my research both in terms of GDP per capita and from the perspective of real wages. The empirical results indicated absolute divergence in GDP/capita on the long run, based on sigma and beta convergence traditional methods, the annual speed of divergence reaching on average 1.69% over 1995-2010. Wages’ dispersion also broadened during economic crisis and persisted in the first stage of recovery, supporting Barro and Sala-i-Martin’s theory on temporary divergence effect induced by economic shocks.

The economic growth of Romanian regions was hindered by the recent global economic crisis, which brought about multiple challenges that I addressed in several papers, using specific spatial techniques (shift-share analysis, convergence indicators, panel data models, etc.). A new regional typology has been designed for Romania by combining static and dynamic analysis for the assessment of regions’ relative positions in the national framework. I first applied this typology on GDP per capita and further on a specially designed composite index of economic development, dividing the time span so as to capture two major factors of influence: Romania’s accession to EU and the economic crisis. Results indicated that the negative impact of the economic crisis was spatially uneven and could not be offset by the expected benefits of EU accession.

The empirical results of my researches deliver relevant messages for decision-makers, pointing to growth factors able to stimulate regional development. I also emphasized that persistence of significant spatial inequalities in Romania’s economy calls for adequate territorial policies able to underpin faster development of the lagging counties mainly by capitalizing on their local resources for growth.

The second part of the habilitation thesis outlines future career development directions for improving my teaching and research activity. Acknowledging the challenges in front of didactic activity nowadays, I am aiming at continuously upgrading my teaching skills, permanently updating the lectures and enhancing the applicative side. Capitalizing on my acquired competences, the future research directions are largely in accordance with the areas of interest described in the first part, but with a greater emphasis on new and more effective statistical tools for spatial analyses, providing better understanding of regional processes. My scientific interests focus mainly on studies developing new directions in regional economic research. I aim to identify critical aspects and problems, to formulate relevant research questions, selecting and applying the appropriate methods of spatial research in order to provide solid conclusions and recommendations for the decision makers.

To sum, I set my future career plans on the foundations already built, moving forward with research topics already approached and finding new relevant ones, while refining my teaching skills. To achieve this plan, I will steady pursue my professional development goals, maintaining the standards of academic excellence, as well as fruitful collaboration with my colleagues.