



THE LEVEL OF ECONOMIC DEVELOPMENT AS A FACTOR SHAPING THE REGIONAL DISPARITIES

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ABSTRACT

The results of some empirical studies within the EU determining the relationship between the achieved level of economic development and the specific economic structure on the one hand and the magnitude of intra-regional differences on the other are presented and analysed. Based on comparative analysis, the expected evolution of the regional disparities in Bulgaria are defined. The possibilities for pursuing a targeted policy for achieving regional economic convergence have been assessed.

Key words: Economic development, Regional convergence, EU, Bulgaria.

INTRODUCTUION

The connection between the achieved level of economic development and internal regional differences is a subject of both the formulation of theoretical views and empirical research. One general expectation based on these theoretical views is that this relationship can be represented graphically as an inverted U curve - \cap , showing that at an initial stage, when economic development increases, regional inequalities also increase, after which it is expected to cross a peak (the peak of the curve \cap) and the further economic development will reduce inequality [1]. According to the presented graphical relation, the developed EU countries must have passed the peak of the curve, since the countries with weaker economies have a higher internal regional variation. However, this is not fully confirmed on the basis of empirical surveys. The empirical results measuring the relationship between the achieved economic level and the magnitude of intra-regional differences do not give a completely unambiguous answer.

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INTRA REGIONAL ECONOMIC DISPARITIES OF EU COUNTRIES

A study by Lucian [2] (based on information for the period 2000 - 2014 at NUTS 2 level - statistical regions for EU countries) presents one common typology for assessing the relationship between level of economic development with intra-regional disparities by linking the change in GDP per capita compared to the average GDP per capita for the EU, with the change of intra-regional differences by individual countries. Following this typology, Lucian divides the EU countries into four groups as follows:

- 1) countries that are improving their position in the EU (such as GDP per capita, compared to the EU average level), but with growing regional disparities; this includes all eleven former planned economies countries (EU-11) and Ireland;
- 2) countries that registered internal regional cohesion, but with a deterioration of GDP per capita compared to the EU average level - these are Denmark, Greece, France, Sweden and the United Kingdom;
- 3) countries that show a decrease in GDP per capita compared to the EU average level with increasing regional disparities (worst case scenario), that are Benelux, Italy, Austria, Portugal and Finland;

4) countries where their position in relation to the average GDP per capita for the EU is growing, while intra-regional convergence is observed as well (the most favourable dynamics) – only Germany falls into this group.

The countries in the first two groups respond to the case that overcoming regional disparities does not fit with the achievement of economic efficiency. In the case of the 3rd and 4th categories, such a connection cannot be seeking, but it also cannot be rejected, since for the third category, overcoming regional disparities could have led to even greater economic inefficiency, and in the case of Germany the achievement of regional cohesion may have been associated with a reduction in the possibilities for achieving even greater efficiency as a whole.

It must also be accepted that regional economic factors are subject to change, which does not exclude, in certain circumstances, the achievement of higher economic efficiency when reduction of regional disparities.

The graphical dependence (\cap) presented in this way is not confirmed according to Lucian's research, nor is it fully confirmed when estimating the correlation coefficients between GDP per capita by country and intra-regional variation of GDP per capita, which in reality are negative, but the linear correlation coefficients do not show a high dependence (for 2011 for NUTS 2 and NUTS 3 these coefficients are minus 0.52 and minus 0.56, respectively). The data on the changes of the coefficients of intra-regional variation by individual countries also do not always confirm development according to the presented curve.

It can definitely be argued that there is an inverse relationship between the economic level reached and intra-regional differences, but without this following any pattern. Thus, the logical statement for expected development with reaching a certain peak (development according to the curve \cap) has a place as a theoretical expectation, but empirical data for at least a short period of time do not always confirm such a development, which not exclude its validity for a significantly longer period.

In practice, reality and development always turn out to be richer than theoretical formulations,

economic reality requires each time to look for new hypotheses and patterns that are difficult to summarize in each case. Therefore, such hypothesis should be considered important for understanding the ongoing regional processes, but not on the basis of it to design convergence processes.

REGIONAL DIFFERENCES IN BULGARIA

A factor related to the formation of intra-regional differences by countries within the EU, measured by GDP per capita, is the structure of the population by specific regions - rural, intermediate and urbanized regions (Eurostat Information). As can be expected, GDP per capita is significantly higher, as a rule, in urban regions, and rural regions have the lowest GDP.

These differences are as large as the given EU country has a lower GDP per capita within the Union. In this respect, Bulgaria is one of the countries with the largest differences on the one hand and with the lowest share of the population in urbanized regions according to this classification of EU countries.

This dependence is in line with the understanding of higher regional differences in countries with lower economic development, insofar as, as in principle, the participation of the agricultural sector in them is higher, respectively, the share of the rural population in them is higher. Eurostat data for 2014 - 2016 confirm the higher regional differences of the EU-11 countries by the observed rural, intermediate and urban regions for the indicators "GDP per capita", "Relative share of GVA" and "Labour productivity".

The high share of employment in agriculture is perhaps the most accurate indicator of the positioning of the EU countries and especially those of the EU-11 in terms of the achieved level of economic development. Another characteristic feature of the development of the EU-11 countries is the intensive economic development of urban regions and above all the metropolises at the expense of the lag of the other regions and hence the growth of regional socio-economic differences - this process is most visible in Bulgaria and Romania. In the case of Bulgaria, the very high difference between the metropolis (Sofia-city district) and the other regions is

observed - regardless of whether it is a question of rural and intermediate regions.

SUMMARY FOR BULGARIA

Aging of the population is a factor that affects all countries in the EU, and although at least at this stage it does not affect significantly on the differences in economic development, in the future the countries will face serious problems related to these processes. This indicator will have a negative impact on the process of internal regional convergence for some countries such as Bulgaria.

Further increase in regional disparities as a result of the faster development of highly urbanized regions cannot be expected to continue in the future in Bulgaria - most of these highly urbanized regions, including Sofia-city district, show rates of change in the GDP indicator per capita with levels lower than the national average. Similar processes were observed in other Central and Eastern European countries at their initial stage, and in most of them the processes of regional divergence as a result of the rapid development of the metropolises ceased. Probably Bulgaria will not make an exception and with a certain delay will break the process of intra-regional divergence due to this reason and will start a process of convergence.

However, the future development of certain regions in Bulgaria can be defined as particularly problematic. These are primarily border regions, with high agricultural sector and low population density. These regions are expected to reach critical social and economic indicators in the long run. Changes in economic indicators do not always correspond directly to changes in economic efficiency in them. Thus, the achievement of favourable structural changes as a prerequisite for economic development for certain lagging economic regions in Bulgaria and hence the reduction of their lag could hardly be realized in the existing social and especially demographic problems related to internal migration and population aging.

One possibility to mitigate the unfavourable economic circumstances is to increase the relative productivity of those employed in agriculture by diversifying the activity of those employed in agriculture. As an example, in Bulgaria only 1% of those employed in agriculture declare the

presence of additional activity, this percentage in the Czech Republic and Slovenia is in the range of 19-20%, while in countries such as Germany and Austria every third farm have such activity [3].

The regional strategy must be aimed at achieving the highest possible diversification of economic activities in the individual regions. The diversification of economic activity allows for faster adaptation to changes in the economic environment. The development of the bioeconomy is a direction that in many respects allows the desired diversification at regional level. However, such diversification is difficult to achieve in regions with a critically small mass of population, where this population is also aging.

So the specificity of Bulgaria is in the acute demographic problems associated with migration and population aging. Achieving favourable structural changes for Bulgaria and in certain regions could hardly be formed without taking into account these important facts. The problems associated with the growth of regional economic and demographic differences lead to very strong social inequalities. This applies primarily to the elderly population, which remains in the lagging and increasingly depopulated regions of Bulgaria. For some regions, it is difficult to implement any favourable regional policy in the short and medium term that reduces the growth of economic disparities. This is where the need for a policy that improves the distribution of wealth in its various dimensions arises, in this case access to social benefits, such as the supply of basic necessities, medical care, education and more. Such a regional policy, if it cannot solve the economic problems of lagging regions, will reduce disparities, at least in terms of social benefits.

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