

# Table of Contents

<b>From Forecasts to Quantitative Foresights: Territorial Scenarios for an Enlarged Europe.....</b>	<b>1</b>
<i>Roberta Capello and Roberto Camagni</i>	
The Interest in a Forecasting Regional Modelling Exercise .....	1
From Forecasts to Quantitative Foresights Through Inspection	
Into the Future.....	2
The MASST Model: A Generative Forecasting Model	
of Regional Growth.....	5
The Choice of the Scenarios .....	6
Structure of the Book .....	9

## Part A Theoretical and Empirical Underpinnings

<b>1 Space and Theoretical Approaches to Regional Growth.....</b>	<b>13</b>
<i>Roberta Capello</i>	
1.1 Introduction.....	13
1.2 Space as a Container of Growth.....	15
1.2.1 The Logic of the Approach.....	15
1.2.2 Regional Growth Theories: Factor Endowment and Productive Specialisation .....	16
1.2.3 Regional Development Theories: Social Overhead Capital, New Technologies and Accessibility .....	18
1.3 Space as a Resource of Growth .....	22
1.3.1 The Logic of the Approach.....	22
1.3.2 Local Development Theories: Territorial Externalities .....	23
1.3.3 Regional Growth Theories: Stylised Increasing Returns .....	26
1.4 National and Regional Growth: The Generative Versus Competitive Approach.....	28
1.5 The Theoretical Approach in the MASST Model.....	29
1.6 Conclusions.....	31

<b>2 Regional Competitiveness: Towards a Concept of Territorial Capital .....</b>	<b>33</b>
<i>Roberto Camagni</i>	
2.1 The Resurgence of Supply-Oriented Approaches.....	33
2.2 Towards a Cognitive Approach to Territorial Development: the Concept of Territorial Capital.....	35
2.3 Territorial Capital: A Theoretical Taxonomy .....	37
2.3.1 Public Goods and Resources .....	39
2.3.2 Intermediate, Mixed-Rivalry Tangible Goods.....	39
2.3.3 Private Fixed Capital and Toll Goods .....	40
2.3.4 Social Capital .....	40
2.3.5 Relational Capital.....	43
2.3.6 Human Capital.....	44
2.3.7 Agglomeration Economies, Connectivity and Receptivity.....	44
2.3.8 Cooperation Networks.....	45
2.3.9 Relational Private Services.....	45
2.4 Conclusions.....	46
<b>3 Space and Empirical Approaches to Regional Growth .....</b>	<b>49</b>
<i>Roberta Capello and Ugo Fratesi</i>	
3.1 Introduction.....	49
3.2 Traditional A-Spatial Techniques .....	51
3.2.1 The Logic Behind the Approach .....	51
3.2.2 Traditional Techniques and Space .....	52
3.2.3 Traditional Techniques and Territory .....	56
3.3 Spatial Techniques .....	59
3.3.1 The Logic Behind the Approach .....	59
3.3.2 Spatial Techniques and Space .....	60
3.3.3 Spatial Techniques and Territory .....	64
3.4 Future Developments .....	64
3.5 The Measurement of Space in the MASST Model .....	66
3.6 Conclusions.....	66
<b>4 National and Regional Econometric Models .....</b>	<b>69</b>
<i>Barbara Chizzolini</i>	
4.1 Introduction.....	69
4.2 Macroeconometric Models .....	70
4.3 Regional and Multiregional Models .....	74
4.3.1 The Top-Down Regional Satellite Models .....	74
4.3.2 The Bottom-Up Interlinked Regional Models .....	75
4.3.3 Top-Down Versus Bottom-Up Models .....	77
4.4 The Recent Evolution of Regional Econometric Modelling.....	79
4.5 National and Regional Econometric Models and MASST .....	81
4.6 Conclusions.....	82

**Part B Conceptual and Methodological Specifications**

<b>5 The MASST Model: A Generative Forecasting Model of Regional Growth.....</b>	85
<i>Roberta Capello</i>	
5.1 Introduction.....	85
5.2 The Theoretical Specifications of MASST .....	86
5.3 The Structure of MASST .....	89
5.3.1 The General Structure of the Econometric Model.....	89
5.3.2 The National Sub-Model .....	91
5.3.3 The Regional Sub-Model .....	93
5.3.4 The Simulation Algorithm: the Time Structure.....	94
5.4 Technical Specifications of the Model.....	96
5.5 Conclusions.....	98
<b>6 The Estimation Procedure: Data and Results .....</b>	99
<i>Roberta Capello and Barbara Chizzolini</i>	
6.1 Introduction.....	99
6.2 The National and Regional Datasets.....	100
6.2.1 Sources and Structure of the Database .....	100
6.2.2 Description of the Data.....	101
6.3 The Econometric Methodology .....	108
6.3.1 The Estimations of the National Sub-Model .....	108
6.3.2 The Regional Estimations.....	112
6.4 Conclusions.....	121
<b>7 The Simulation Procedure: The Algorithm, the Target Variables and the Stability of the Model.....</b>	123
<i>Barbara Chizzolini and Ugo Fratesi</i>	
7.1 Introduction.....	123
7.2 The Simulation Algorithm .....	124
7.3 Initial Conditions and a Classification of Variables in MASST .....	126
7.4 The Interaction of the National and Regional Components in the Simulation Algorithm .....	128
7.5 Target Values and the Adjustment Rule for Exogenous and Policy Variables .....	130
7.6 Model Testing.....	136
7.6.1 The Benchmark Simulation and the Dynamic Properties of MASST .....	136
7.6.2 Experiments.....	140
7.6.3 The Model's Sensitivity to the Estimated Values of the Parameters .....	146
7.7 Conclusions.....	149
Annex 7.1 Values of the Policy Variables Used in the Benchmark Simulation and in the Experiments.....	150

**Part C Scenarios for the Enlarged Europe:  
Regional Quantitative Foresights**

<b>8 Driving Forces of Change: The Baseline Scenario.....</b>	155
<i>Roberta Capello</i>	
8.1 Introduction.....	155
8.2 Driving Forces of Change.....	156
8.2.1 Economic Driving Forces.....	158
8.2.2 European Strategies in the Management of Structural Funds .....	160
8.2.3 European Infrastructure Policy Choices .....	160
8.2.4 Socio-Demographic Trends.....	161
8.2.5 Energy Source Policy .....	161
8.2.6 Technological Diffusion Strategies .....	162
8.3 Quantitative Assumptions Behind the Baseline Scenario .....	162
8.4 Results of the Territorial Baseline Scenario .....	164
8.4.1 Regional Growth in Fifteen Years.....	164
8.4.2 Converging or Diverging Trends: Winners and Losers.....	165
8.5 Regional Components of Growth .....	169
8.6 Conclusions.....	174
Annex 8.1 Quantitative Assumptions and Target Values for Exogenous Variables in the Baseline Scenario.....	176
<b>9 Global Challenges and European Strategies: Alternative Scenarios.....</b>	179
<i>Roberto Camagni and Roberta Capello</i>	
9.1 Introduction.....	179
9.2 The Three Dimensions and the Scenario Cube.....	180
9.3 Description of the Four Scenarios.....	183
9.3.1 A Competitive Europe in an Integrated World.....	188
9.3.2 A Defensive Europe in a Price-Competitive World .....	191
9.3.3 A Dual Europe in an Integrated World.....	194
9.3.4 A Dual Europe in a Price-Competitive World.....	196
9.4 The Quantitative Assumptions.....	196
9.4.1 Moving from Qualitative Assumptions to Quantitative Levers of the Model.....	196
9.4.2 The Quantitative Assumptions of the Four Scenarios .....	199
9.5 Conclusions.....	206
Annex 9.1 Absolute Values of the Target Variables in Each Scenario.....	207
<b>10 Territorial Images of the Future: The Quantitative Foresights Results .....</b>	211
<i>Roberta Capello and Ugo Fratesi</i>	
10.1 Introduction.....	211

10.2	An Aggregate Perspective on the Four European Development Scenarios.....	212
10.2.1	European Growth Rate Differentials .....	212
10.2.2	National Growth Rates and National Per Capita Income Differentials.....	213
10.2.3	National Winners and Losers with Respect to the Baseline Scenario .....	216
10.3	A Territorial Image of a Competitive Europe in an Integrated World (Scenario A).....	219
10.3.1	European Regional Performances and Disparities in 2015.....	219
10.3.2	European Population in 2015 .....	225
10.4	A Territorial Image of a Defensive Europe in a Price-Competitive World (Scenario B).....	226
10.4.1	European Regional Performances and Disparities in 2015.....	226
10.4.2	European Population in 2015 .....	230
10.5	A Territorial Image of a Dual Europe in an Integrated World (Scenario C).....	232
10.5.1	European Regional Performances and Disparities in 2015.....	232
10.5.2	European Population in 2015 .....	236
10.6	A Territorial Image of a Dual Europe in a Price-Competitive World (Scenario D).....	238
10.6.1	European Regional Performances and Disparities in 2015.....	238
10.1.1	European Population in 2015 .....	272
10.2	A Comparison Between Two Extreme Scenarios.....	273
10.3	A Dual Europe Facing Different World Competitiveness Strategies .....	277
10.4	Conclusions.....	280
11	<b>Towards a Conclusion: Regional and Territorial Policy Recommendations.....</b>	283
	<i>Roberto Camagni</i>	
11.1	Introduction.....	283
11.2	The Impact of National Performance and Trends on Regions .....	283
11.3	The Impact of Macroeconomic and Structural Policies on Regions .....	285
11.4	The Persistence and Widening of Inter-Regional Disparities: The Rationale for Regional Policies .....	287
11.5	Towards Renewed Spatial Policies: Goals, Principles and Tools.....	295
11.6	Territorial Capital at the Crossroads of Regional Policies and Planning .....	298

11.7 Territorial Development Policies and the European Model of Society.....	302
11.8 Conclusions.....	305
<b>Bibliographical References .....</b>	<b>307</b>
<b>Authors .....</b>	<b>321</b>