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Perspective

The EU green deal: Spreading or concentrating prosperity?

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Economic development, social cohesion and political stability in the EU have been imperilled by regional economic divergence. The last 50 years have seen increasingly rapid technological advances, globalisation and policy choices that gave rise to new phenomena. Once thriving rural and middle-to-small metropolitan areas are facing job losses, decreasing labour force participation or decreasing income-per-capita compared to the national average. In other regions, employment might be observed as increasing on first sight, but in essence it is of low quality, concerning tedious and low-skilled occupations. On the other hand, a lot of large metropolitan areas along with their suburbs are ranking high as most vibrant places with lavish and lucrative employment opportunities (Iammarino et al., 2018).

Intra-country territorial polarisation has broadened - with a tendency of accumulating economic activity and wealth in large urban agglomerations, frequently capital cities; and numerous regions being stuck in “development traps” (Rodríguez-Pose, 2020; Barca, 2019). So far, the majority of economic policies and channelled funds have been directed towards two types of regions: the most prospective ones in terms of economic growth and development, and the indigent ones with a substantial need for all types of endowment. However, many regions which experienced prolonged periods of low, no or negative growth, drop in industrial activities, increased unemployment, brain drain and out-migration, have been overlooked by policy makers since they have “fallen between the cracks”. “Geography of discontent”—an emerging phenomenon—is observed in such cases, denoting the unhappiness and dissatisfaction of people living in these regions that experience a “development trap” (Rodríguez-Pose, 2020).

These “development traps” take different conformations. In the first place are areas that were previously poor but started converging afterwards and their development stagnated when they reached middle income levels, such as regions in southern and western Spain (Rodríguez-Pose, 2020). Second come territories which persisted to be on the halfway to be rich or poor for a prolonged period of time—like the East Midlands in the UK—unable to advance their situation often wise for decades. And last but not least, are territories that, while still classified as wealthy—like the North of Italy (e.g. Lombardy, Piedmont, Veneto) — have experienced insufficient or negative economic growth rates in the last couple of decades. The progress and prosperity of these regions once used to impel the whole country to affluence, but nowadays they are not pertinent anymore and are thrown in the shadow of more dynamic, vigorous and prosperous areas (Rodríguez-Pose, 2020). The geography of discontent is ultimately a result of a lengthy process of places which were (for most of them) unable to integrate themselves in global value chains and thus become mainstream. Modern globalisation tendencies have concentrated wealth production along a few globalised production hubs, leaving essentially “out” a number of places unable to follow the galloping pace of the front-runners. Beside the economic radix, issues from historical, social, and geopolitical nature which shaped investment and non-investment trends also contributed to the regress of these regions. Nevertheless, according to Iammarino et al. (2018) “the issue is not whether, at any particular moment, there is perfect regional convergence and equality in development levels: there never is. **But rather whether the economy is spreading prosperity or concentrating it**”.

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Hitherto developments along with future political agendas and targets mark the 21st century as the century of inclusion, sustainability and digitalisation. The environmental and climate-related concerns are positioning high in every political agenda, and related strategies addressing these pressuring challenges became intertwined with existing policies or stand-alone action plans. The EC put forward the European Green Deal (EGD) - a new growth strategy, which amongst other things, (a) has the goal to “transform the EU into a **fair and prosperous society**”; (b) needs to ensure a “**transition that must be just and inclusive. It must put people first, and pay attention to the regions, industries and workers who will face the greatest challenges**”; and (c) is “**an opportunity to put Europe firmly on a new path of sustainable and inclusive growth**” (European Commission, 2019).

Many questions are arising which remain unanswered at present. Are the EGD and Circular Economy Action Plan (CEAP) going to decrease regional disparities, narrow intra and inter-country territorial polarisation, restrain “development traps” and reduce geographies of discontent? Or they are going to increase regional divergence, widen intra and inter-country territorial polarisation, impel “development traps” and upsurge geography of discontent? Are the EGD and CEAP going to spread prosperity or concentrate it?

In the context of this unrivalled opportunity for the EU, McCann and Soete (2020) are discerning the EGD as the EU’s Moonshot mission and its global smart specialisation strategy simultaneously. They propose the shift to **smart specialisation strategies for sustainable and inclusive growth (S4+)**, with place-based innovation policy for sustainability entailing a solid multi-level governance and a policy flexibility to tackle potential trade-offs at early stages. Such an approach should keep in mind that digitalisation is a global enabler (not an objective in itself), whereas the greening of the economy is a major ethical conditionality. These new conditions put some additional strains on smart specialisation strategies, that have already provided the basis for regional development from a place-based perspective, but they would now need to consider how to accommodate their objectives within the new context orientated towards sustainability and inclusiveness (McCann and Soete, 2020). Additionally, the emphasis on more dynamic trends (instead of a straightforward rich-poor divide) should be taken into consideration when establishing and deciding on investment policies – a matter that the EU is trying to tackle historically with Cohesion policy, where there has always been a particular policy for the so-called “transition” regions, addressed as such.

Addressing development issues along with environmental concerns is indisputably a major challenge. Concentrating efforts towards achieving cohesion, while combating climate change, is an uphill battle. The realisation of the Circular Economy (CE) paradigm will differ in each European region, taking into account geographic, environmental, economic and social dimensions, but also institutional settings and industrial structures. Therefore, the specifics of each region must be reflected in analogous policy objectives and investment flows. This will target the untapped and unrealised potential of the territories that have fallen between the cracks. However, this will entail abandoning the “silver bullet” solutions and directing towards new type of place-sensitive interventions suggested by Iammarino et al. (2018).

The question of diffusion or concentration of prosperity and wealth is paramount. The CEAP, one of the main blocks of the EGD, is a highly complex and demanding endeavour, requiring unprecedented amounts of resources; still, it will not be the only decisive factor of success or failure for regional convergence. As such, the CEAP cannot be disconnected from the rest of the actions which are part of the EGD package, like the new industrial strategy and digital transition, and certainly the social cohesion premise of the package. The main challenge in the EU policy fora is to reconcile a body of policies that are managed centrally and those in shared management (EU and the Member States); a location-blind approach centred on people and organisations based on outputs, and a place-based approach focused on local investments, supported by innovation policies through smart specialisation. The extent to which these two approaches will be ultimately well balanced will determine the degree of convergence or divergence in European regions.

Authors’ statement

The list of authors is in alphabetical order. The co-authors were equal collaborators in the writing of this writing article.

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The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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