

Choosing the right expenditure mix: An evaluation of the EU's regional policy using generalized propensity scores for multiple continuous treatments

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The evaluation of European regional policy has mainly focused on the overall effectiveness of the policy, thus neglecting the heterogeneous effects due to different policy mixes. This paper exploits the novel econometric framework proposed by Egger and von Ehrlich (2013) to investigate how different mixes of investments in infrastructure and productive investments impact regions' growth rate. Results depict a four-class typology based on the allocation intensity in the two dimensions. The main results are that allocation in infrastructure has a positive effect only if it is associated with expenditures in productive investments and that the maximal impact on growth is obtained by a policy allocating with high intensity in both dimensions. The extent of misallocation is then assessed by generating two scenarios. In the first one, every region chooses the best mix available under the constraint of the actual funds received. In the second, each region was unconstrained. The comparison with the actual allocation shows that, although the regions can allocate more efficiently, the actual transfer intensity is not enough to choose the mix that would globally maximize growth. Results are consistent with Becker et al. (2012) since enforcing common support restricts the analysis to regions with low transfer intensity.