

# Spatial heterogeneity in factors misallocation: European evidence

This study investigates the spatial heterogeneity that factors misallocation reveals in nine EU-member countries (Germany, France, Austria, Italy, Spain, Portugal, Czech Republic, Slovenia and Poland) during the years 2011-2020.

Misallocation, as in the degree of efficiency with which inputs are allocated across firms, is increasingly regarded as one main source of aggregate productivity and income differences across countries. Nevertheless, its within-country spatial and regional dimensions are still largely overlooked, notwithstanding numerous reasons for allocative efficiency to vary across different administrative units.

This article aims at filling this gap by firstly performing an exploratory analysis of allocative efficiencies at different levels of territorial aggregation (NUTS0, NUTS1, NUTS2 and NUTS3). Secondly, it provides evidence for the across-regions disparities in allocative efficiency to account for large shares of aggregate misallocation for all the examined European countries (up to 27% at NUTS3 level). Finally, it explores and finds support for the hypothesis that variations in local institutional quality may help explaining regional differences in allocative efficiencies.