

## **The role of embeddedness on regional economic resilience**

Topic: Classical IO applications: Economic Structural Change and Dynamics

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The 2008 crisis has been the focus of a range of fields within social sciences. Regional economists and economic geographers have predominantly focused on the varying degree of impact on places and regions within countries. As a result, the notion of economic resilience, namely as the capacity to overcome or avoid the negative effects of a downturn, has been brought to the centre of attention. Since then, numerous contributions have identified some of the determinants of economic resilience, leaving the embeddedness of local economic systems relatively unexplored due to data constraints.

This paper examines the effects of local economic embeddedness on the resilience performance of UK NUTS2 regions during the 2008 crisis by means of different measures that show the nature and incidence of the domestic production. It is hypothesised that embeddedness can lead to positive externalities through economies of complexity and enhance resilience performance, especially during recessions. Concurrently though, increased embeddedness can lead to lock-in effects and reduce the above effects for higher levels of embeddedness.

To test these hypotheses, the paper utilises the new regional input-output database EUREGIO (Thissen et al., 2018) to approximate the embeddedness of local economies in UK NUTS2 regions. The level of embeddedness is then used in a panel data examination to identify whether more embedded economies have performed better during the crisis and whether these effects are monotonic or not. Preliminary results point to a complex non-linear relationship between the above industrial structure characteristics and economic resilience to the 2008 crisis.

Keywords: Input-Output, economic resilience, domestic multipliers, regional economies