

## **Enhancing Economic Performance in Romania: Creative or Traditional?**

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### **Abstract**

Cities are the engines of economic growth. There are multiple approaches cities can adopt in order to enhance their economic performance. One potential approach involves investing in the creative class and the other variables Richard Florida proposed. However, authors criticized the fact that city officials have ignored the traditional variables used to explain economic growth, such as education attainment or industrial mix. At the same time, research shows that the creative class is more strongly associated with growth in liberal market economies, compared to coordinated economies. Given the fact that Eastern European countries are at the opposite spectrum compared to Western European countries in terms of coordination, we can assume that the creative variables would be less effective in their case compared to the traditional ones, which seems to be confirmed by previous research. As such, the present study compares the creative input variables and their traditional equivalent in terms of the extent to which they predict economic development in the case of one Eastern European country, namely Romania. More specifically, we compare the effect the creative class variables and their tradition equivalent have on the economic performance of the 103 Romanian municipalities. In doing so we conducted a panel data analysis for the period 2008-2018. The results show that the traditional variables outperform the creative variables in predicting economic performance, although it depends on how performance is measured. When the number of jobs and the income level are considered, the superiority of the traditional variables is evident. However, when productivity is considered the Creative Class has the highest effect, but the other creative variables are not significant.

### **Points for practitioners**

From a policy perspective, the results suggest that attracting the Creative Class does not represent a panacea for economic growth for Romania. Policy makers should not overlook the importance of traditional variables when designing policies aimed at improving economic

outcomes. Evidently, having a high concentration of the Creative Class does not hamper, however it should not be considered the answer to all problems municipalities are facing.

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