

# **A REGIONAL ANALYSIS OF DECLARED INCOMES IN GREECE**

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## **Abstract**

The study considers the 2001 income mosaic of Greece at the local (municipal and postcode) level, and constructs a model based on occupational, territorial, and demographic factors so as to isolate their impact on declared income, and study clusters of income at the disaggregated territorial level. The new cluster-based spatial specification provides a better econometric fit compared to the specification based on the existing official regional framework (on the basis of which national and EU sub-national convergence and prosperity plans are devised, implemented, and assessed). This suggests that the economy does not operate according to the country's administrative divisions but rather according to local-specific factors and transportation linkages, as is the case in a fragmented land united by its transportation network. Accordingly, if income disparities are larger within administrative regions rather than between regions, it might make more sense if regional economic development policy were conducted within a functional-area framework rather than the current administrative-region framework. This entails important policy implications for EU regional development and resource allocation. The findings are also used for some additional tentative policy proposals.