

## Abstract

This paper tests the question whether the integration process in the EU has contributed to the often-observed growing dispersion of income over the regions of the EU, in the presence of convergence between the member states. We do this by introducing price convergence as an indicator of integration and controlling for the concentration of skilled labour and allowing for path dependency. Our main findings are in line with the expectations of the New Economic Geography School in that integration does contribute to the growing regional inequality in the EU. Price convergence is a significant explanatory variable even after the introduction of a time lag in the dependent variable.