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SECTORAL AGGLOMERATION ECONOMIES AND THEIR EFFECTS ON

REGIONAL CONVERGENCE IN TURKEY

ABSTRACT

Economic development, for any country, is one of the most important objectives to achieve. However, some regions with better economical, geographical, social and cultural advantages grow faster than the others. Industries are located particularly in certain regions creating agglomeration economies. Two opposite views exist in the literature, related to the impact of agglomeration economies on regional development: “Agglomeration in one region contributes to the development of the surrounding regions” or “Agglomeration in one region attracts all economic resources there, causing the backwardness of the neighboring regions”.

Per capita income is the major indicator of economic development. The differences in per capita income among districts, regions or countries support the idea that economic activities are concentrated in certain locations. Convergence analyses are carried out in order to investigate whether the income differentials would lessen by time.

The main objective of this thesis is to measure initially the agglomeration economies in Turkish districts and then to find out the impact of agglomeration economies on regional convergence. For that purpose, firstly, Herfindahl Index, Gini Coefficient and Location Quotient are calculated for manufacturing industries in each district by using the production, value added and employment data classified under ISIC Rev 3 for the period 1993-2001. Then, convergence analyses are done by using these coefficients by employing GMM and LSDV estimation methods.

The estimation results reveal that agglomeration influences the convergence among districts negatively. Economic growth of neighboring districts has positive effects but agglomeration in surrounding districts has negative effects on convergence. According to

convergence analyses within the regions, similar results are obtained for the districts in Southern Anatolia and Black Sea regions. Finally agglomeration economies do not seem to affect regional convergence. It can be concluded that the negative factors arisen from concentration of industries in certain regions are needed to be taken into account in designing regional development policies.

KEYWORDS

Convergence, Agglomeration Economies, Regional Development, Panel Data, LSDV, GMM