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The Local Culture - Entrepreneurship Relation in the Equation of Agglomeration Economies

Ion POHOATA[1], Raluca Irina CLIPA[2], Andreea Oana IACOBUTA[3]

Abstract

Agglomeration economies are defined as the external benefits that economic actors can obtain by being located near other firms, workers and consumers. This paper aims to show that there is a causal relationship between the features of local culture and entrepreneurship, resulting in a positive effect, which leads to agglomeration economies. The cultural matrix is acknowledged as a foundation of agglomeration economies. It is found to some extent in the content of other micro-foundations of these specific economies of scale, enhancing their effects: the interactions established within the labour market are circumscribed to social relations; knowledge spillovers depend largely on informal rules and patterns of interaction between individuals; the willingness to start businesses and receptiveness to new ideas (features of entrepreneurship) depend on the cultural background which defines the attitude towards change and risk-taking. The study also aims to capture the influence of cultural factors on the development of agglomeration economies, by taking into consideration the local characteristics of businesses and work force, while answering the question of why such agglomerations are more efficient in Western Romania compared to its North-Eastern part. The research was based on a number of sociological studies on Romanian values conducted in Romania's historical regions. By comparing the present situations in the two regions in relationship with their economic performance, we came to the conclusion that much of the Western superiority is due to the presence in this area, to a greater extent, of the cultural traits connected with the idea of acquiring wealth.

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Introduction

Research on agglomerations economies enjoys a long tradition in the scientific literature, which is based on the studies of Alfred Marshall (1920). He identifies three types of externalities that are essential to industrial clusters: (1) availability of inputs and specialized services - proximity between suppliers and customers leads to savings in transaction costs, thus facilitating the input-output linkages, (2) the existence of a work-market, which allows a better division of labour and stimulates workers to invest in their skills, (3) exchange of information and technology, which is encouraged by the spatially concentrated firms and workers who have the possibility to easily learn from each other, compared to if they had dispersed into space.

Marshall's externalities are central to urban economics studies that seek to explain the existence and growth of metropolitan areas. However, recent theoretical and empirical research demonstrates the importance of viewpoints that dethrone the traditional foundations of agglomeration economies. On the one hand, there have been highlighted other sources of agglomeration economies as well, among which we distinguish between entrepreneurship, opportunities or positive feed-back and cultural affiliation. On the other hand, some studies - for example *The Case for Agglomeration Economies* published by the Manchester Independent Economic Review (MIER, 2009) - draw attention to the fact that the taxonomy itself is not particularly useful because it mainly focuses on the channels through which we observe the effects of agglomeration, rather than on capturing the proper mechanisms leading to those effects.

The fact that there are so many viewpoints on agglomerations (urban or industrial) constitutes the reason why it is so difficult to agree on their sources. The existence of some clusters can be demonstrated by referring to only one type of foundation, while others are based on all known micro-foundations. Moreover, in the course of time, an individual cluster may function on a specific micro-foundation more than on the others. This paper aims to show that there is a causal relationship between local cultural features and entrepreneurship, resulting in a positive effect, which leads to economies of agglomeration. Entrepreneurship is a primarily local feature: people start a business based on previous experience and interests, based on knowledge of local business and family connections.

Empirical evidence regarding the role of culture on the development of cities and industrial clusters is based on a series of qualitative studies showing that social relations between economic actors and cultural characteristics of specific

locations sketch a certain economic behaviour – trust, cooperation, risk taking, disseminating information – that plays a major role in the formation and development of clusters. One such study was conducted by Putnam, Leonardi & Nanette (1994), showing that cultural differences between Northern and Southern Italy help to understand why industrial agglomerations are almost non-existent in the South.

Studies in the field have reached the conclusion that not only population (Moomaw, 1981, 1985, Segal, 1976) or employment density (Ciccone & Hall, 1996; Harris & Ioannides, 2000) increases productivity within clusters, but also the local characteristics of the labour force. Some features, that are not commonly observed by statisticians, such as ambition or work discipline, prove to weigh heavily on productivity increase and, at the same time, are unevenly distributed in space. It is the so-called ''endogenous quality of labour'' which inspired authors (from Glaeser & Mare, 2001) to use the longitudinal dimension in their data analyses.

This study aims to capture the importance of the cultural factor – expressed through local entrepreneurial and labour characteristics – in the development of economic clusters, while answering the question of why are the agglomerations found in Western Romania more efficient compared to the ones in the North-Eastern part of the country. Our research was facilitated by the fact that there are a number of sociological studies (Baciu, Asandului and Iacobuță, 2009; Baciu, Asandului, Iacobuță and Corodeanu, 2009; Asandului, Ceobanu and Baciu, 2012) on Romanian values and entrepreneurial features. They were undertaken in the historical regions of Romania and we used them to develop a comparative analysis of the cultural characteristics found in the two regions, in relationship with their economic performance.

Agglomeration economies and diseconomies

The external benefits that firms and other economic actors (individuals, as workers or consumers) can obtain by grouping themselves into space, due to their physical proximity to other firms, workers and consumers are known as economies of agglomeration. The basic idea for understanding this concept is that the environment (economic, technological, cultural) in which economic actors operate has a positive influence on productivity, as an expression of all the emerging advantages that determine companies and individuals to locate near each other. For example, an individual firm increases its productivity as a result of an increase in the production of surrounding companies or in the number of specialized workers or potential consumers in the area. Moreover, spatial proximity allows the diffusion of ideas and knowledge, enhancing the creativity and innovative capacity of firms.

Economic literature (Hoover, 1948; Krugman, 1991; Xu, 2005; Malmberg, 2009) refers to two types of agglomeration economies: *economies of location*, describing the advantages obtained as the result of the spatial grouping of similar or related firms, under the shape of industrial clusters, and *urbanisation economies*, which refer to the benefits that firms obtain when locating in a large and dense urban area.

When many companies from the same economic sector locate in the same geographic area, the existing indivisibilities lead to fixed-cost sharing between them, which gives rise to location economies. These savings are internalized in the industry, but they are considered externalities for the existing individual firms and deriving productivity gains depend on the scale of the industry clustered in one place. Indivisibility of fixed costs leads to economies of scale, and as a result, the spatial proximity of several companies generates savings.

Urbanization economies are based on the same factors as location economies, but involve more than one industry. The spatial proximity of all types of industries leads to productivity gains, which are considered internal to urban agglomerations, but external to individual firms and private industries. Therefore, urbanization economies depend on the size of the city. An important source of urbanization externalities is the earnings related to the production of public goods. They generate economies of scale higher than those in the private sector because, by their nature, they are characterized by significant fixed costs. The importance of fixed costs indivisibility in the production of urban infrastructure leads to urban agglomeration economies, but these economies can be explained equally by "non exclusivity and / or indivisibility in the consumption of these urban public goods" (Xu, 2005).

The neoclassical theory of economic growth argued that economies characterized by similar structural features tend to benefit from a convergence of generated income and, according to the hypothesis constant scale economies, a region endowed with twice the inputs will produce twice as much. In the last two decades, the new economic geography (Krugman, 1991) has attempted to provide some justification for the absence of convergence, showing that, in fact, producers register fixed costs and increasing returns, which determines them to locate near large markets, for the benefit of lower transportation costs and economies of scale. Regarding the labour market, workers are attracted to high-productivity locations, where wages and working conditions are better, entailing an increase in employment and productivity.

The trend of concentrating economic activities in already crowded locations (*centre*), based on centripetal forces (linkages, markets, knowledge spillovers), is to be balanced by an opposing trend based on centrifugal forces (immobile factors, rents/commuting, congestion), which imposes the relocation of economic activities towards the *periphery*. Some researchers (Henderson, 1974) have built

models where scale externalities are the driving force behind clusters, force which is balanced, at equilibrium, by an opposite one, generated by agglomeration diseconomies, found in the households. While crowding occurs when spatial concentration of one or more economic activities determines a market-size increase and generates a new spatial concentration of industries, dispersion favours the dissipation of economic activities in a given economic space. Overcrowding, which means concentration, and dispersion, which means anti-concentration, operate simultaneously, determining the geographical distribution of economic activities (Fujita & Krugman, 2004). Increasing congestion is thus supported by the agglomeration externalities, while being limited at the same time by cluster-associated diseconomies.

Cultural matrix in the context of foundations and mechanisms of agglomeration economies

Culture, defined as "the collective *programming* of the mind distinguishing the members of one group or category of people from others" (Hofstede, 1980), includes cultural values, traditions, attitudes and behaviour. Individuals are economic actors (consumers, workers, entrepreneurs, owners, managers) and citizens, members of a community, belonging to different religions and traditions. For this reason, we perceive culture in two ways: on the one hand, on a *national or regional* level, characterized by the values, habits and customs of the region, and, on the other hand, as a kind of *business* culture, circumscribed to certain occupational and organizational practices that reside in the human practices found in a given economic environment. As a result, we are talking about a *cultural matrix*, in which both the social and economic sides of the individuals co-exist.

The cultural matrix is seen as a foundation of agglomeration economies, along with the linkages between intermediate and final goods providers, labour market interactions, the diffusion of knowledge, opportunities and entrepreneurship that are specific to a certain location. Its peculiarity is that, without being their component, it is found, to some extent, in other micro-foundations of agglomeration economies, enhancing their effects. In other words, the *labour market interactions* are circumscribed to social relations, as the workers are learning and developing their skills due to their contacts with other more experienced colleagues. *Knowledge spillovers* depend largely on the informal rules and patterns of interactions between individuals from different companies. Business start-ups and receptivity to new ideas (features of *entrepreneurship*) depend a lot on the cultural affiliation of entrepreneurs, which defines their attitude towards change and their willingness to risk. Entrepreneurship is thus a purely local feature. Individuals initiate businesses based on previous experience and interests, based on knowledge of local business and contacts, as well as on family connections.

That is why new companies choose to emerge mainly in locations with a pre-existing concentration of related economic activities (Rosenthal and Strange, 2004).

In the desire to separate the theoretical micro-foundations from the mechanisms that produce them, recent research (Duranton & Puga, 2004; MIER, 2009) high-lights three mechanisms that may arise from agglomeration economies: sharing, matching and learning (see also Clipa, 2012). Going beyond the descriptive nature of the approach, we intend to establish which of these mechanisms allows the manifestation of the cultural matrix, considered as a determinant of agglomeration economies, both in its local or regional dimension, as well as in terms of business culture.

Sharing occurs when a large number of companies or individuals benefit from a common pool of resources. Cultural factors may be at the origin of agglo-meration economies through this mechanism in two ways.

Firstly, companies and employees benefit from economies of agglomeration by sharing indivisible *goods and facilities*, namely public goods and infrastructure: equipment (public roads, ports, airports, power grids and communications), edu-cational institutions (universities, research institutions), other facilities (cultural institutions, amusement parks, etc.). While these facilities have no direct effect on production increase, firms may benefit indirectly from them, by the fact that firms can reduce their transport costs, may gain easier access to research results, or pay lower wages to attract workers from other locations that do not have such facilities.

Secondly, companies are sharing a *local work-force pool* characterized by diversity and specialization, specific to larger cities. It is about a better division of labour and specialization of workers on certain tasks, and these result in increased productivity. When there is a large market of specialized labour, workers are provided with increased opportunities for advancement and investment in skills, while employers benefit from a diverse, specialized and highly-qualified local labour pool, which is readily available when initiating or expanding a business. The existence of a significant volume of work-force results in economies of transaction costs for employers found in a cluster (MIER, 2009).

Matching is the second mechanism that leads to agglomeration economies, and the common cultural background of companies and employees appears as a lubricant that facilitates its manifestation. It is about the matching that appears on the labour market, with benefits for both employers and employees, but also about the matching of suppliers and buyers of intermediate goods. If we refer to the first case, the location of workers and employers in cities has three direct effects: it increases the matching degree between them, but also the quality and better chances of matching. Better matching chances mean that workers will spend less time searching for suitable jobs, which translates into reduced unem-ployment. On the other hand, the companies also reduce transaction costs in the

labour market, which may have the effect of reducing labour costs and increasing production. A high quality match will entail an increase in work productivity, leading towards a total output increase of production factors.

The third mechanism by which economies of agglomeration can occur is *learning*, which refers to more than a simple exchange of information and ideas. In fact, it is the generation and dissemination of information throughout an entire crowded space, within a dynamic process that results in the accumulation of knowledge and skills.

On the one hand, the *generation* of knowledge through innovation can prove more beneficial in certain environments that are specific to cities or industrial clusters characterized by diversity and high levels of qualified workforce, for several reasons: universities and research institutes, viable partners of existing clusters, are important sources of innovation; companies located in economic agglomerations have an organizational culture that encourages initiatives; skilled workers prefer dense locations in order to benefit from the diverse high-quality cultural facilities usually offered by existing cities.

On the other hand, the economic agglomeration can facilitate the *dissemination* of knowledge and skills due to its greater labour mobility, due to the interactions between employees with different levels of skill and due to the fact that know-ledge, which is hard to formalize, can best be transmitted directly, through successful meetings held in these spaces.

Comparative analysis:
the Western region vs. the North-Eastern region

Context

For several decades we have been witnessing "the most rapid and extensive process of urbanization in history" (Tayebi, 2006), in which the old industrialized cities make efforts to reinvent themselves. On the one hand, this process is about renewal, about their adaptation to the new market trends in terms of "brand location" (van Ham, 2008) and, on the other hand, it is about the revival and re-evaluation of ancient cultural values. Culture is today acknowledged as an element that adds value to a city. It includes museums, old buildings, cultural and sporting events, personalities, sports teams, cultural institutions, etc., but also old customs, traditions, and values of the inhabitants. The different cultural characteristics of world cities have even made some authors (Kaplan, Yurt, Guner & Kurtulus, 2010) to assign them human personality traits: the *exciting city*, passionate, with people coming to promenade, feminine and sympathetic; the *malignant city*, unreliable, arrogant; the *peaceful city*, calm and domestic; the *competitive city*,

authoritative and sophisticated; the *conservative* one, religious and uneducated; the *rough city*, cold, harsh.

In the last two and a half decades, Romanian cities have developed amid the changes that have occurred in Central and Eastern Europe after the fall of communism. The comprehensive nature of these transformations has generated an impressive series of analyses that talk about the convulsions of the society and individuals in the process of reconstruction (Kideckel, 2010): privatization brings change and uncertainty regarding property rights and the fight for power is brought to the forefront; the transition to a market economy produces striking inequalities; the weakening of state structures allows the local mafia to take control; corruption spreads throughout society; religious groups are competing for privileges; development funds from external sources are diverted or poorly managed; many people emigrate.

After the fall of the communist regime, Romania, compared to other European countries, has strengthened its traditional values (Voicu & Voicu, 2007) due to public disappointment on political, social and economic changes. In Romania, the public power adopted half-measure reforms or "start-stop-start" policies (Heyne, Boettke & Prychitko, 2011), which brought even more uncertainty about the future. Consequently, Romanians' mistrust in the institutions of the newly created state, perceived as corrupt and inefficient, have maintained a socialist mentality and have reoriented the society towards "*traditionalism* along with the refusal to accept *modern* values" (Baciu, Asandului, Iacobuță & Corodeanu, 2009: 142). "In a *traditional* society, people's priorities are geared towards meeting their basic needs, things happen *according to God's will* or *according to the orders of a superior*. Society, in general, is more religious, prone to obedience, thus work is seen as an obligation towards society, resistance to change is very strong, family values are important; intolerance towards deviant groups is high. However, there is a lack of concern for the future, as passivity and non-involvement are predominant. However, modern society is opposed to the traditional profile, because individuals are considering superior needs, are creative, have a high capacity for innovation, intelligence, reflexivity, are prone to autonomy, independence, free time is very important, as the need to socialize, to become socially involved and emancipated prevails. Responsiveness to change in the modern orientation is very high, favouring progress, a high tolerance towards deviant groups, a rational concern for the future and care for the environment" (Baciu et al., 2009: 46-47).

At the social level, values, culture, value systems are fundamental elements of social development and progress. Therefore, the link between *values* and *economic life* is recognized as one of determination and mutual reinforcement. "Both *final* values (defined as ways of understanding the world and the supreme purposes of existence) and *instrumental* values (defined as modes of action) can be related to the development and progress of human society at different rates." (Baciu et al., 2009: 46)

Assuming that the social relations between economic actors and the cultural characteristics of certain locations define economic behaviour – trust, cooperation, risk taking, disseminating information – with a major role in the formation and development of clusters, we are trying to answer the question of why agglomerations are more efficient in Western Romania compared to the ones found in the country's North-Eastern part.

Economic performance

The balanced distribution of urban and industrial agglomerations in our country (Clipa, 2013) does not automatically imply a balanced development of the regions. Indicators such as GDP/capita, average monthly net income, unemployment rate, just to mention a few of those that characterize competitiveness, show that there are considerable differences between the regions of Romania. Their analysis for the two areas under study gives interesting information about economic performance.

In *Table 1*, the *annual growth rates of regional GDP* show that while the Western region has the highest economic performance, the North-Eastern one has the lowest rate of economic growth in the country. Gross domestic product (GDP) is one of the most representative indicators of the degree of development and, thus, of regional competitiveness. Regional GDP measures the economic activity generated in a given region, achieved through the production of new goods and services. The GDP growth rate provides a dynamic economic development of a region. It measures the actual growth rate of the GDP of a region over a period of one year. High values of this index are associated with good performance of the regional economy. Regional GDP growth rate is an indicator that allows a relatively easy comparison of the relative rate of growth of a region compared to others.

Table 1. Annual growth rates of regional GDP

Region	2008	2009	2010	2011	2012	2013	2014	2015
NORTH-EASTERN	3,6	-5,1	-4,8	3,8	1,3	2,6	3,2	3,7
SOUTH-EASTERN	9,5	-6,1	-2,1	4,1	1,2	3,1	3,6	3,9
SOUTH	9,2	-3,1	-0,5	3,6	1,8	3,0	3,7	4,0
SOUTH-WESTERN	5,7	-5,0	-5,1	2,8	1,9	3,2	3,6	3,8
WESTERN	0,9	-6,3	1,4	4,1	1,8	3,1	3,4	3,7
NORTH-WESTERN	-0,9	-5,3	-1,4	-0,6	1,2	3,0	3,5	3,8
CENTRE	1,1	-4,4	-1,0	4,6	2,2	2,9	3,6	4,0
BUCHAREST-ILFOV	18,2	-11,1	-1,2	0,3	1,7	3,3	3,7	3,9

Source: adaptations of the data supplied by the National Commission of Prognosis, 2012 spring prognosis

To deepen the analysis of these disparities and to achieve a multi-dimensional characterization and classification of territorial units of a country, different variables should be taken into account simultaneously. A statistical technique that meets the needs of multidimensional comparison is the relative distance method that combines different classification criteria in establishing a hierarchy. The *composite index of regional disparities* (Di) calculated according to the GDP/capita and average monthly income, i.e. the multicriterial distance in relation with the national average for the territorial unit i (formula 1), is presented in Table 2. The data reflect the overall picture of disparities among regions, the positive values indicating a favourable situation, while the negative ones signal a falling behind the national average.

$$D_i = \sqrt{\frac{PIB/loc}{\overline{PIB/loc}} \, x \, \frac{V_{ml}}{\overline{V_{ml}}}} \tag{1}$$

Table 2. Regional disparities

Region	Composite index of regional disparities		Dynamics of composite index
	2008	**2015**	**2015/2008**
NORTH-EASTERN	0,7383	0,7146	0,9679
SOUTH-EASTERN	0,8517	0,8395	0,9857
SOUTH	0,8747	0,9111	1,0416
SOUTH-WESTERN	0,8470	0,8378	0,9891
WESTERN	1,0043	1,0396	1,0351
NORTH-WESTERN	0,8772	0,8470	0,9656
CENTRE	0,9133	0,9300	1,0183
BUCHAREST-ILFOV	1,8568	1,7845	0,9610

Source: own calculations based on the data provided by the National Commission of Prognosis, 2012 spring prognosis

Regional classifications were made in relation to national averages in 2008 and 2015 (forecast values), to highlight the trend recorded during this period. There is a yawning gap between North-Eastern and Western regions (calculated as a distance between relative values) for this period, from 26.6% in 2008 to 32.5%.

An effective way of assessing the economic performance of an area based on statistical data takes into consideration the potential competitiveness index (PCI). This composite index is obtained by aggregating derived simple indicators (GDP/capita, Exports/employment) and a composite indicator (technological development index). In Romania, compared to a national average of 0.31 PCI, the visual analysis of the distribution of these values (Cojanu, 2010: 49) allows two findings: (1) the Western region presents a mosaic-distribution of the PCI, with values over 0.6 in Arad and Timiș counties; (2) the North-Eastern part is characterized by a

homogeneous distribution of values, with an average of this index between 0.1 and 0.2, which translates into an inability to fairly exploit the natural and anthropogenic resources (low transfer of technology, low capital, limitations in the polarising activity of Moldavian urban areas).

Also regarding regional performance, the comparative analysis of the top Romanian development regions according to the number of clusters - known as competitive industrial clusters – and GDP/capita index (Clipa et al., 2012) led to interesting observations: despite the fact that it benefits from a high number of clusters (a maximum of 8 competitive industrial clusters in the region, just like Bucharest-Ilfov, the Western region and Southern Muntenia[4]) the North-Eastern region has the lowest GDP/capita value, holding a rate of only 59% out of the national level[5]. The conclusion of the study was that, for this region, the presence of industrial clusters has not favoured regional performance. Unlike the Western region, which recorded a GDP/capita of 111.3% of the national level, in the North-East, clusters were unable to generate regional economic performance. Going forward with the reasoning, it means that *Western agglomerations were more competitive than those in the North-East, leading to superior economic performance at regional level*. Therefore, the question is: what caused the disparities of development?

Local cultural characteristics

We share the belief that much of the Western superior results are due to the presence in this area, in a greater extent, of the values and cultural characteristics that increase the locals' welfare.

These differences between the regions of Romania have been pointed out since 1907, when Dimitrie Drăghicescu published in Paris his work *On Romanian National Psychology*: "In Romania, the passive, resigned character is more pronounced in Moldova, Muntenia, and less in Oltenia. (...) Romanians from Transylvania differ greatly from those in Romania. In their case, the resigned attitude is more moderate, they have responded to oppression in a more violent and brutal way, rather than in complaints and sarcasm" (Drăghicescu, 1996).

To furthermore support our claim, we also quote a comparative study on the historical provinces of Romania (Moldova, Bucharest, Dobrogea, Transylvania, Muntenia) and on Romanian values, using the questionnaire as a research tool applied at national level; the study analysed a series of labour-specific instrumental values (Baciu et al., 2009). The results show that, in terms of both dimensions of axiological orientation, traditionalism and modernism, the region that

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[4] figures from Mapping Report 2010.

[5] figures provided by the National Commission of Prognosis 2010, by comparing the regional and national levels (%).

accumulates most of the features of modernity is Transylvania, which is *much closer to modernism than the other historical regions*. These features are: ambition, competence, creativity, independence, indulgence, intelligence, responsiveness, responsibility. In addition, Transylvanians possess some additional instrumental values, such as affection, obedience, cleanliness, politeness and cheerfulness.

In contrast, Moldavians recognize only ambition, courage and responsibility, lacking features such as creativity, competence, responsiveness, intelligence, independence, indulgence – specific to the modern society – but also affection, obedience, cleanliness, honesty and cheerfulness. These values form the so-called "*endogenous quality of labour*" (Combes, Duranton, Gobillon & Roux, 2010) and increase productivity, generating economies of agglomeration.

Other recent studies (Asandului, Ceobanu & Baciu, 2012; Baciu, Asandului and Iacobuță, 2009; Baciu et al., 2009) show that Romanians have a number of cultural characteristics that constantly undermine the idea of discipline, the ability to save, or the respect towards some traditional institutions such as ownership or work contract.

Romanians have some negative traits which represent just as many "negative informal institutions" – such as corruption, the culture of bribery, breach of contract, lack of respect for entrepreneurship, obedience to authority, the belief that the state should provide jobs, poor collective identity, superficiality, lack of motivation towards work, etc. – which is why the formal institutions that support performance are hardly internalized and respected.

A majority of these cultural traits are found in Moldova and less in Transylvania. Thus, 11.4% of Moldavians and only 5.9% of Transylvanians agree that they lack ambition and civic engagement, 21.9% of Moldova's population, compared to only 4.5% of that of Transylvania's, is characterized as shallow; the ones that accept "small gifts" represent 16.4% of Moldova's population, while only 7.2% of the inhabitants of Transylvania accepts bribes; lack of punctuality is a negative feature for 20.4% of Moldavians and for Transylvanians only in a percentage of 10.4% (Baciu et al., 2009). One negative feature was found to characterize the inhabitants of Transylvania to a greater extent than those of Moldova, i.e. the poor collective identity; the rest of the features – postponing tasks, expecting social assistance, neglect and laziness – are found in both provinces with little variation.

Conclusions

The study of the micro-foundations of agglomeration economies has brought into focus the importance of the cultural factor not only in itself, but rather as an incentive for other foundations of specific scale economies: labour market interactions are circumscribed to social relations, knowledge spillovers depend largely on the informal rules and patterns of interactions between individuals and entrepreneurship depends on the cultural background of its subjects, shaping their attitude towards change and risk-taking. The cultural matrix, both in its local, regional dimension, as well as in terms of business culture, can occur via three mechanisms leading to economies of agglomeration: sharing indivisible goods, facilities and a local pool of diverse and specialized workforce, matching between suppliers and buyers of intermediate goods and, last but not least, learning by generating and disseminating information throughout an entire crowded space within a dynamic process that results in the accumulation of knowledge and skills.

At social level, values, culture, value systems are integral elements of social development and social progress. Therefore, the link between values and economic life is recognized as one of determination and mutual reinforcement. The relation between local culture and entrepreneurship is therefore a causal relationship, resulting in a positive effect, which leads to agglomeration economies in that location.

We started from the assumption that social relations between economic actors and locations define the specific cultural characteristics of economic behaviour such as trust, cooperation, risk-taking, disseminating information and so on, with a major role in the formation and development of economic clusters. To see to what extent the competitiveness gap between the two Romanian development regions (namely the Western and North-Eastern ones) can be justified by the existence or absence of local entrepreneurial and labour-specific characteristics involved in increasing the well-being of their inhabitants, we conducted a comparative study centred on two areas in terms of population cultural values, which we then correlated with regional economic performance.

The complex analysis of the annual growth rates of regional GDP, the composite index of regional disparities by GDP/capita and average monthly income, the potential competitiveness index, the ranking of regions by the number of clusters and the one after GDP/capita, has shown that Western agglomerations were more competitive than those in the North-East, leading to a superior economic performance at regional level. Much of the Western superior results are due to the presence in this area, in a greater extent, of the values and cultural characteristics that increase the locals' welfare: ambition, competence, creativity, independence, tolerance, intelligence, responsiveness, responsibility – also features of modernity – and punctuality, ambition and involvement, low level of

superficiality. These features form the ''endogenous quality of labour'' and increase the labour productivity and hence the total productivity in the locations where they are found.

Through the novelty and also the interdisciplinary nature of the approach, this paper provides new directions for future research. We think that the quantitative analysis of the impact of cultural and entrepreneurship factors on productivity growth in crowded locations will be of interest to economists, sociologists and geographers. Also, qualitative studies extended to the whole Romanian space could be initiated, regarding the relationship between the local culture and entrepreneurship in the agglomeration economies equation. Along with these, other sources of empirical research on economies of agglomeration are excellent subjects for future concerns.

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