CLUSTERS AND THE FUTURE OF AGRICULTURE

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SUMMARY

In recent years, economists have advanced the idea that one obstacle impeding economic growth (especially in less developed regions) consist in coordination failures in taking the necessary actions to exploit profit opportunities.

Many areas around the developed world are adopting the clusters approach to regional economic regeneration: this could be a key element in re-establishing the competitiveness of national businesses in the future, mainly in agriculture. This paper intends to provide a refutation of the idea that coordination failures as manifested in the inability of clusters to emerge can serve as a ground for government intervention.

The cluster theory is one of the last attempts to provide a justification for state interventionism and support. Clusters, as regionally coordinated activities, are critical for overall economic growth. Clusters are geographical concentration of firms/farms with strong linkages among themselves. Clusters emerge because of a number of factors:

- the geographical location of a key resource – like a raw material supply or an important labor pool – attract entrepreneurs into the region. For example, entrepreneurs tend to cluster together in areas where they share a common infrastructure, have easy access to a significant pool of specialized labor or can use a critical immobile factor.
- the agglomeration economies explains the association of different industries. Firms locating in close spatial proximity benefit from lower transportation and transaction costs, as well as access to a skilled labor force. Agglomeration economies can also spur competition, which encourages information, knowledge, and technology transfer among related firms. The transfer of knowledge and technology among firms can lead to new industry growth, and therefore helps drive the overall growth of the cluster.

CONCLUSION

The increasing returns to scale are the result of the entrepreneurial market process and cannot be engineered by governments. In the world of uncertainty and risk, one cannot know in advance where innovation is going to take place.

The localization economies (or specialized clusters) are more the source of innovation and growth than urbanization economies.

BIBLIOGRAPHY