



Full Length Research Article

**LOCALIZATION OF SMALL INFORMAL INDUSTRIAL CLUSTERS: A COMPARATIVE ANALYSIS OF
BENGAL HOSIERY AND BAG PRODUCING INDUSTRY**

*** Sri SukantaSaha**

Department of Economics, Umeschandra College, Kolkata, West Bengal, India

ARTICLE INFO

Article History:

Received 16th August, 2015
Received in revised form
22nd September, 2015
Accepted 09th October, 2015
Published online 30th November, 2015

Key Words:

Informal sector,
Cluster economy,
Economies of scale,
Location, Mobility.
JEL Classification: E26,
F02, J61, R10, R12.

ABSTRACT

The present study is an effort to explore how the localization of small informal industrial clusters is appearing in West Bengal. To analyze why and how economic organization of such localized industrial clusters in small towns is contributing to informalization of previously formalized regional economies, the analysis framed within location economics literature with inclusion of spatial dispersion and coherence of such informal industrial activities within any region. The study is confined to depict a comparison between two distinct informal industries in West Bengal – the already-established quasi-stagnant hosiery industry and the uprising bag producing industry. The study is concentrated agglomeration of informal production units of the two industries in a specific spatial cluster in West Bengal, namely the Belgharia region. The site has been selected not on the basis of its size or its significant position to the industrial map in West Bengal but due to its specificity to fulfill the basic objective of our study incorporating the co-existing of the two industries within the frame of the study. This is why the study is not confined to focus on the concentration of other important informal industrial spatial clusters in West Bengal as my earlier studies convey. Rather, the present study is confined to detect an unexplored site of informal industrial economy in West Bengal to show how a small spatial cluster of informal enterprises is becoming able to influence output, employment and growth of the entire regional economy through concentration, expansion and growth of the two informal industries. The uneven distribution of concentrated informal production units across space and time is incorporated in the study in references to micro-level field studies conducted on the basis of purposive sampling. The consideration is strongly based upon the classical and new economic geography literature support derived from Location Economics and Regional Economics.

Copyright © 2015 Sri SukantaSaha. This is an open access article distributed under the Creative Commons Attribution License, which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.

INTRODUCTION

The present study is an effort to explore how the localization¹ of small informal industrial clusters is appearing in West Bengal. To analyze why and how economic organization of such localized industrial clusters of small towns is causing informalization of previously formalized regional economies, the analysis framed within location economics literature with inclusion of spatial dispersion and coherence of such informal industrial activities within any region. The study is confined to depict a comparison between two distinct informal industries in West Bengal – the already-established quasi-stagnant hosiery industry and the uprising bag producing industry². The study is concentrated agglomeration of informal production units of the two industries in a specific spatial cluster in West Bengal, namely the Belgharia region.

***Corresponding author: Sri SukantaSaha,**
Department of Economics, Umeschandra College, Kolkata, West Bengal, India.

The site has been selected not on the basis of its size or its significant position to the industrial map in West Bengal but due to its specificity to fulfill the basic objective of our study incorporating the co-existing of the two industries within the frame of the study. This is why the study is not confined to focus on the concentration of other important informal industrial spatial clusters in West Bengal as my earlier studies convey. Rather, the present study is confined to detect an unexplored site of informal industrial economy in West Bengal to show how a small spatial cluster of informal enterprises is becoming able to influence output, employment and growth of the entire regional economy through concentration, expansion and growth of the two informal industries. The uneven distribution of concentrated informal production units across space and time is incorporated in the study in references to micro-level field studies conducted on the basis of purposive sampling. The consideration is strongly based upon the classical and new economic geography literature support derived from the field of Location Economics, Regional Economics and Urban Economics.

MATERIALS AND METHODS

The logical argumentation of the study is based upon literature support, case studies conducted and primary survey results. The survey process is exhaustive. The survey is based upon qualitative purposive sampling with semi-structured questionnaire and indirect interview method. The micro-level field studies, sampling design and data analysis are based on standard model approach. The implication is that the selection of any sampling region does not depend on data availability (or non-availability), therefore, avoids spatial homogeneity. The study assumes that the producing firms within a cluster of the industry are non-homogeneous in nature. However, spatial distribution of production units of a single industry is cross-sectional, given and known. Sometimes an ethnographic study has been approached due to data non-availability and data non-responses in the sample survey area under the purview of the study.

A Brief Profile of the Regional Economy

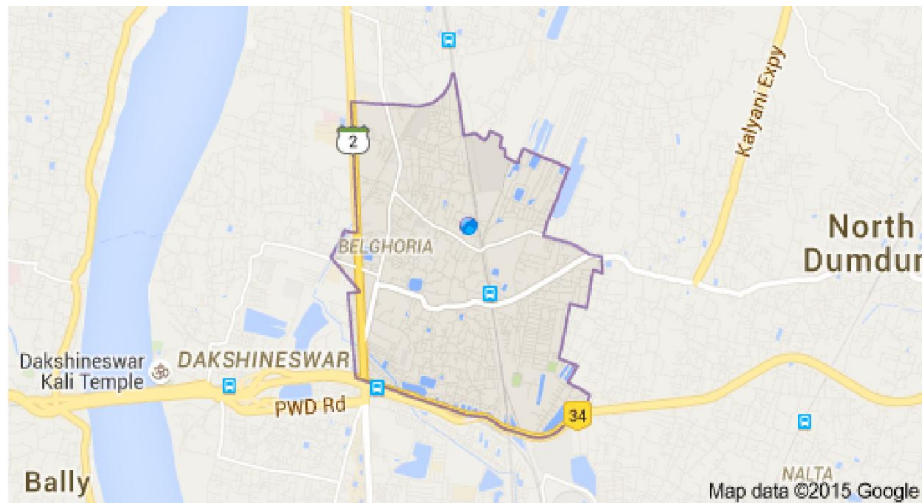
The name "Belgharia" has appeared from "Bell Ghor"(bell house) - there was a big bell used to call the porters of the area to unload and carry jute from the boats majorly from the oldest jetty situated in nearby Ariadaha on river Ganges. It is worth to mention that the British Bengal inherited different spatial clusters of the jute industry distributed throughout the two sides of river Ganges in the districts of Howrah, Hooghly and North 24 Paraganas. Ariadaha accrued the advantage of its geographical proximity and locational benefit to be situated besides river Ganges and to appear as a place for connecting adjacent locations including Belgharia. In the 17th century, Belgharia and nearby Nimta (about 30 minutes road distance from Belgharia) appeared to be the biggest wholesale markets for Jute, Fish and vegetables in the region. Later in the British regime, the region became well-known for the existence of several factories.

The trend continued thereafter even after independence by which it became a well-known place for the working class that imputed the place with low cost of living covered by well-developed transport facilities which was required for industrial expansion within the regional economy. The region inherited a group of small formal industries in the decade of 1960s and 1970s including the Mohini Mills, Hindustan Cotton Mills, Prabartak Jute Mills, Oriental Cotton Mill, Power Loom, Beni Engineering, Mania Bull Casting, Bharat Glass Factory, Vegetable Products Limited, Duckback etc. The two cinema halls, Biva and Rupmandir, made the place popular with mere arrangements for refreshment of the working group mostly at the evening of the working days and in the holidays. The dominance of the working classes in the composition of regional population inhibited a strong demand for necessary commodities supplied at low prices. The industrial proximity of the region provided the State Labour Minister from the locality in the decades of 1970s and 1980s. Since the mid-1970s, however, closing down of several formal sector industries in the region due to diversified reasons along with the problem of labour movements and labour unrests has inherited a closing down of a number of formal sector industries in the region. At present, the renowned formal industries of the adjacent region are Agarpara Jute Mill, Allied

Ceramics, Emami, Kamarhatty Jute Mill, ESDEE Allumina, Dalmia factory and Texmaco Private Limited. The phenomenon has inherited growing prominence of informal localization particularly since the decade of early 1990s when the expectation for government support appeared at the end due to the increasing proximity of market regime. Introduction of reform measures at the national level has provided the informal sector of the region a new avenue with close proximity with the market along with searches for newer markets. The vulnerable small and medium entrepreneurs due to non-pruning condition of the regional industrial economy have attributed this opportunity to make expansion of informal localization of the regional economy to continue its employment generation. The required entrepreneurship skill is generated from the previous small and medium entrepreneurs or from the skilled experienced workers of the region. The vast populous region has supplied semi-skilled and unskilled informal industrial employment and also the market for finished products— both of which were required for earlier days of informal industrial expansion.

The newly built Belgharia Expressway, linking Jessore Road with Dum Dum Airport, the Kalyani Expressway, and NiveditaSetu on river Ganges, has increased the importance of the place with the chance of enhancement of well-developed transport and communication facilities. The corollary is that the expanding informal localization at the region has created a strong demand for government-sponsored infrastructure generation in order to connect production clusters of the region with diversified market portfolios in different geographical domains. The cosmopolitan culture of the new age Bengal hasn't yet penetrated at this small town and the population of the region still consists of generally middle class families inheriting a huge demand for necessity and comforts items that are produced by the informal industrial clusters of the region. A number of student messes has sprung up in the area in the past two-three decades due to comparative low cost of living in the region and its close proximity to Kolkata education hub along with nearby RabindraBharati University, JIS University, and Roy's Institute of Competitive Education center. For this, the migrating students community from rural Bengal along with the dominant middle class families at the local level still dominate the regional population, thereby influencing demand for necessary commodities particularly produces at the local level. This is because the local consumers become informed about the cost of production due to their larger access in knowledge endowment and are able to purchase the finished informal industrial products at a price lower than market prices due to their familiar cordial relation with the informal producers.

However, the place is beaming up with HI rising flats in the past two decades causing a little change in the composition of population. This is due to large demand for apartments in the region with well-developed transport and communication with low cost of living. This has simply fostered faster expansion of informal localization of the region due to Marshallianlabour market pooling due to the entrance of previously formal sector labourers to informal labour force of the region to continue their employment and maintenance of their families and Venable's Home Market Effect (HME) due to ensured demand for local-made informal products by the increasing affluent and middle-class families in the regional population.



The well-developed transportation and communication have caused ease in marketing of finished products in distant areas through adjacent roadways and railways communication.

The Industrial Economy of the Hosiery Industry

Among the several growing informal occupations in the region over the past decades, the expanding hosiery industry is an important one. The Nandannagar area in Belgharia has appeared almost as a separate location for hosiery products since long years back – roughly 60-65 years since independence. The site is well-known for producing lower and upper inner wares. The presence of several Cotton Mills in the region provided supply of skill; raw cotton and necessary contacts required for growth of the hosiery industry at the initial days of its expansion, for instance, Nandannagar area is adjacent to Mohini Mills.

The supply of necessary entrepreneurship skill appeared with the phenomenon of migration of Bangladeshi (East Pakistani) small hosiery entrepreneurs in the region who brought the necessary know-how and skill required for establishment of the hosiery enterprises. Actually, the local hosiery industry started its initial expansion as an ancillary to the then Cotton Mills of the region. With the fall in the formal cotton industry of the region since mid-1970s and 1980s, the hosiery industry exhibited its faster expansion with labour market pooling because of the entry of previously formal sector labourers to informal labour market and Home Market Effect (HME) due to ensured demand for hosiery products by the increasing local population. The production orders majorly come from the contractors of Sovabazar in Central Kolkata which is a large hosiery cluster in West Bengal and Salkia in Howrah or from the local middlemen and businessmen who prefer to sell the finished hosiery products at the Howrah *hat*.



The raw materials required for production, mainly raw clothes and colours, are being purchased from the contractors or intermediaries at the local level or from the contractors from the distant markets of Sovabazar in Central Kolkata, Salkia, Bandhaghat and Dhulagarh in Howrah, Habra-Ashoknagar and Dum Dum Cantonment in North 24 Paraganas, Muraripukur (Bidhannagar) in Kolkata. Often contractors purchase the finished product to supply them to the formal sector of the industry (locally called 'company'). Therefore, production in the hosiery industry appears majorly in the informal sector, sale appears both in the formal and informal sector, and export appears solely by the formal sector. In the region, about 700-750 small scale production units inheriting 8-10 artisans and 250-300 middle sized firms incorporating 10-20 workers are operating presently, as per our primary survey conveys.

In the labour market, majority of the labourers come from the local market along with the migrant skilled workers of the far distant backward districts of Bankura, Purulia and Murshidabad who get training at their origin and acquire skills and experiences here necessary to enter in Kolkata skilled labour market (formal and informal) in order to earn higher wages. They also move to other cities of the country, particularly in Tirupur hosiery industry in Tamil Nadu, for higher income earnings.

Sometimes, the local informal workers acquire their skills and experiences in the informal market to enter in the formal sector hosiery industries with higher wages and formal social security benefits. Often inter-state informal migrants and formal sector workers return back to the informal local market after a few years of experiences and appear as small and medium independent entrepreneurs at the local level who employ local semi-skilled and skilled informal workers. In the hosiery industry of the Belgharia region, about 12-14,000 informal workers are working without any formal security measures. Therefore, the industry is inheriting formal-informal linkage³ in both the product and labour market processes.

The Industrial Economy of the Bag Producing Industry

The Belgharia Bag Industry has become an uprising informal industrial cluster in the past two decades which produces especially school bags, travel bags, big shoppers, purses, fashionable trendy bags preferred by children and female etc. It is difficult to refer when and how Belgharia Bag Industry has settled down. It is almost 40-45 years earlier when a small cluster of 10-15 enterprises were operating in the locality in a scattered manner. The necessary skill appeared from the adjacent formal sector of Duckback industry in the Sodepur-Panihati region.

The small informal cluster was operating as an ancillary to the formal sector. However, sharp reduction in formal sector production has caused spread of informal localization of the industry in the adjacent Belgharia region. The production orders now majorly come from the contractors of far distant spaces throughout the state and the neighbouring states like Assam and also by the local middlemen and businessmen who prefer to sell the finished products on their own or to others.

The raw materials required for production mainly raw clothes (*Jyoti* cloth and rubber pasting cloth) and sowing are being purchased from the contractors or intermediaries at the local level or from the contractors from the distant areas who import the items mainly from China and Bangladesh. The local contractors or intermediaries give production orders along with raw materials to the local (usually 4-10) producers and collect finished products from them. Easy transport and communication facilities through adjacent railways along with roadways have made it easier to avail raw materials necessary for industrial expansion. This "primitive localization" is transformed into almost an "industrial district"⁴ in the region.

The finished products are supplied in small packs through trains or heavy loads through roadways to far distant markets of Kolkata, Howrah, Hooghly, North and South 24 Paraganas, Nadia, North Bengal and Assam. Often contractors purchase the finished product to supply them to the formal sector of the industry (locally called 'company'), thereby incorporating a mere formal-informal linkage in which intermediate production appears in the informal sector which gets a finishing touch with labeling-branding and is ready for sale in by the formal sector at a higher price than the informal sector prices. The consumers coming from the upper milieu of the society prefer to purchase these high-priced branded products when security and quality assurance are the main factors, while middle and low income group prefer the low-priced informal sector produces with enough bargaining processes when making lesser expenses on the item purchased appears to be the major concern.

The informal tie-up and bonding in the product market has targeted the latter phenomenon in order to ensure faster expansion of the industry. Therefore, industrial production appears in the informal sector, sale appears both in the formal and informal sector, and export appears both by the formal and informal sector. In the region, about 3,000 small and medium scale production units inheriting 4-5 artisans each on the average, thereby promoting about 15,000 employments at the local level. More than 300 sales outlets are clustered in the main site besides the railway station form where delivery of finished products appear through roadways and railways and to where products are transferred from the production centers of the hinterland.

In the labour market, majority of the labourers come from the local market who get training and acquire skills and experiences at the local level. Often skilled informal workers, after a few years of experiences, appear as small and medium independent entrepreneurs at the local level who employ local semi-skilled and unskilled informal workers. This has created a large initiative among the young generation of the region to enter into the industrial labour market at their teen ages, to earn skill, wages and experiences, to arrange necessary capital in order to start a new business and become small entrepreneur thereby making profit in the growing informal industry. The informal entrepreneurship development plays a major contributory factor behind promoting industrial growth in the recent past by making accesses beyond the regional market to the far distant markets within and outside the state.

Factors Influencing Formation of Informal Localization of the Two Industries: A Comparative Analysis Based on Theoretical Foundation

The theories on location economics refers that industrial localization does not develop arbitrarily. There are significant economic factors that influence formation of a cluster of industry or group of industries and businesses in particular spaces. The same holds true for the two informal localized industries in our discussion. It is worth to mention that the enterprises in one location within an industrial cluster with repeated transactions among themselves promote better coordination, trust, and informal organizational linkages between enterprises, efficiency, effectiveness, flexibility, management linkages in partnerships and alliances, and many others

In the Scitovskian (1954) sense, "information spillover" within the industrial cluster due to "labour market pooling" has influenced firm's production function by extracting "pure" external economies of scale consistent with imperfect competition with some market power of influential local producers contributing to internal economies at the firm level⁵ which has led to an increase in output at the firm level for both of the industries. To the revised version of the Central Place Theory of Walter Christaller (1933) by August Losch (1944a, 1954b), the spatial economy of the region has tend to be dominated by a central primal city, the hinterland of which owes to be characterized by smaller settlements and alternating areas of industrial concentration⁶ and dispersion - which has acted as a strong factor to spread the industrial localization from the central site to the hinterland areas for both of the industries by making the region almost an "industrial district" through smaller settlements and alterations of firms in neighbouring areas.⁷

In the Krugmanian (1991) sense in the new growth theory, a combination of (1) Transportation costs, (2) Economies of scale, and (3) Knowledge spillover has resulted in increasing returns at the firm level which has largely influenced the geographical structure of the industrial economy by attracting a large number of competitive informal enterprises within this localization. In case of Hosiery industry, mobility of labour has acted upon as an added contributory factor. The outcome is attributed to the dominance of small and medium firms producing with the Marshall-Arrow-Romer (MAR) externality which suggests that an increased concentration of a particular industry within a specific geographical region facilitates knowledge spillovers across the producing firms, thereby promoting incentives to further inter-firm spillovers executing positive economies of scale. Moreover, the execution of Jacobs and Porter externality suggest that local competition is suitable to extract knowledge externality by the producing firms.

A circular causation of all these has provided maximum individual interaction in the informal industrial periphery from the industrial 'core' with well-established social capital⁸ network within an informal frame. The functioning of the "spread effects" has accrued from the 'core' impeding eventually development of the periphery through multiplier

effect on employment and output and a "relay" function has appeared through urban hierarchy at the peripheries from the 'core' of the localization. The result is a growing incentive among the informal producers to form firms within the localized informal industrial periphery which has changed the spatial production pattern dramatically with faster horizontal spread of industrial firms.

To the Venable's (1996) New Economic Geography Synthesis, immobility of entrepreneurial income at destination in the Bag Producing industry has resulted in increased volume of industrial investment, production, and employment generation. In case of the Hosiery industry, it is the immobility of mobile labourers income at destination which has acted the same. An increased "labour market pooling" has inherited the HME due to larger knowledge externality in the production sphere by which the geographically concentrated industry has generated an additional demand for its products particularly in the peripheral hinterland and other distant destinations.

This has further attracted a pool of imperfectly competitive firms, even the younger generation entrepreneurs particularly for the Bag Producing industry, towards this large and growing market. An increased volume of vertical (hierarchical) labour mobility has further contributed to faster growth of the two industries in which previously (skilled) workers appear as independent individual entrepreneurs who now attract a pool of investments and employ skilled and semi-skilled labourers from the peripheral areas.

All these have acted as influential factors to make spread of the peripheries in the hinterland of the region and also the spread of sales outlets in the adjacent center (the 'core') of the railway station in the past two decades indicating high growth of the industry. The effect is so strong that the informal industrial localization of the regional economy is appearing almost as an independent "industrial district" in the Marshallian sense inheriting large influences upon the growth, employment generation and entrepreneurship development of the regional economy.

Becattini (1989, 1990) in the location literature has raised the issue that government and/or government-sponsored institutions are not able to create an industrial organization with collective efficiency - rather a minimum concentration of privately initiated industrial activity may involve.⁹ The argument is true for the Bag Producing Industry in Belgharia which inherits concentration of a large number of privately initiated informal firms at the local level along with its faster expansion with competitive effort to grab the marketing networks within the industry without any government-sponsored industrial organization. In case of the hosiery industry, the industrial product is demanded by the middle class families of the region. The industrial working people of the local industries have plagued a rising demand for hosiery products at the local level. Once localized industries are developed, the factories 'congregate' in the outskirts of the towns and in their neighbourhood rather than in the towns themselves with physical availability of raw materials. The earlier expansion of formal sector industries of the region has caused the formation of informal localization of the hosiery at the outskirts of the town, namely Ramkrishnapally,

Thakurtala and many others. The HME on demand at the local level has caused sustained demand for the clustered hosiery production of the region over time and has influenced horizontal expansion of the industry in the nearby regions of Agarpara and Sodepur-Panihati. What is striking to the industry is that mobility of entrepreneurship and skill from Bangladeshi hosiery industry after 1947 and 1971 Partition has caused 'conglomeration' of labour and entrepreneurship skill which has caused agglomeration of hosiery production units in several areas of the region - it is to refer that Nandannagar area in the Belgharia region is dominant with Bangladeshi migrant population. The effect is that specialized abilities has been transmitted from one generation to another from their teen age and has become an important characteristic of the area. The added contribution in case of the Hosiery industry has appeared from the factor (labour) mobility phenomenon of Paul Krugman. It is to refer here that the informal workers of the industry enter into the job market not with any physical or financial capital but with a social capital the investment of which by a newly introduced worker of the industry gives him/her necessary knowledge endowment of work tricks and ethics that he/she receives from his/her senior community members who are experienced and expert enough in the sector. Moreover, social capital acts as an informal insurance in such an informal labour market to make him/her trustworthy to the recruiter.

However, a mere social capital coverage and informal form of bonding become insufficient to tie up (skill) labourer at a particular firm since a skilled informal labourer has always a tendency to flow across spaces in absence of much paper works. Such migration 'networks'¹⁰ are renowned from where migration has become almost systematic by following a particular pattern or system (the 'system migration'¹¹). However, 'networks' formation, thereby inheriting 'system migration', is not much stronger in the Belgharia hosiery industry as compared to many other informal industries in West Bengal. This is because workers tend to move to formal hosiery firms within state and in other states to earn higher formal wages along with formal social security benefits. Higher is the skill and access to social capital network, higher is the probability for inter-state migration and mobility to the formal sector of the industry, thereby higher income earnings. This approaches a 'stochastic' pattern of skill-deterministic labour mobility to the informal sector of other states and formal sector of the state and other states. Such a labourer earns much higher income. This higher income, saving, contacts, and long years' experience they can invest and become small and medium independent entrepreneurs. In this way, there is a chance of vertical (hierarchical) labour mobility within the Belgharia hosiery industry in which previously labourers are working as individual entrepreneurs. The entrepreneur-cum-vertically-migrant worker now attracts a pool of investments at the local level and employs skilled and semi-skilled labourers from the peripheral areas. This has acted as an influential factor to make spread of the peripheries in the hinterland of the region in the past two and half decades. The effect is so strong that the region of Belgharia now refers weak product market linkages with Sovabazar than before. That is why the region gets work orders through the intermediation of influential contractors of several other regions of the state.

Conclusion

The theories on location economics refer that industries do not develop arbitrarily. The present study is an effort to explore the case of the informal localization of the Belgharia Hosiery and Bag Producing Industry in West Bengal as instances of the increasing trend of localization of small informal spatial clusters within the State. To analyze why and how economic organization of these informal industrial economies is formed; the study is framed within the broader context of Regional Economics to include spatial dispersion and coherence of informal industrial activities. The depiction is to explore how contraction of formal sector production is inheriting a rival and growing informal industrial localization for one industry which is sufficient to influence employment, output and growth of the entire regional economy and making its faster expansion in recent times, a composition of formal-informal linkage is promoting employment, output and growth of the other industry. The uneven distribution of agglomerated production units across space and time is studied in references to micro-level field studies conducted backed by literature coverage.

Appendix

- Saha, Sukanta (2015), Spatial Concentration and Localization: A Core-Periphery Linkage Model of Domjur-Ghatal Gems and Jewellery Industry, *International Journal of Information Research and Review*, ISSN: 2349-9141, Vol. 2 Issue 07 July 2015, pp. 893-899.
- Saha, Sukanta (2015), Localized Informal Agglomeration: A Classical Syntax, *Journal DeshVikas*, ISSN: 2394-1782, Vol. 2 Issue 2, July-September 2015, pp. 129-136.
- Saha, Sukanta (2015), The Case of Belgharia Hosiery Industry in West Bengal: Exhibiting Marshallian "Industrial District" Syndrome? *The International Journal of Business Management*, Vol. 3 Issue 10, October 2015.
- Saha, Sukanta (2015), Linkage Analysis in an Informal Localized Industry: The Case of Bengal Gems and Jewellery, *Splint International Journal of Professionals*, Vol. II No. 09, September 2015, pp. 39-46.
- Saha, Sukanta (2015), Bowbazar-Sinthi Gems and Jewellery Core-Ancillary Linkage Model, *International Journal of Current Research*, Impact factor: 5.349, ISSN: 0975-833X, Vol. 7 Issue 07, July 2015, pp. 18688-18693.
- Saha, Sukanta (2015), Spatial Concentration and Localization: A Core-Periphery Linkage Model of Domjur-Ghatal Gems and Jewellery Industry, *International Journal of Information Research and Review*, ISSN: 2349-9141, Vol. 2 Issue 07 July 2015, pp. 893-899.
- Saha, Sukanta (2015), Formal-Informal Linkage and Tie up of Informal Labour: A Study Focused on Gold and Jewellery Industry, West Bengal, India, the *International Journal of Management*, ISSN: 2277-5846, Vol. 4, Issue 2, April 2015, pp. 54-60.
- Saha, Sukanta (2015), Bowbazar Gems and Jewellery Industry: A Classical and NEG Syntax, *Journal of Commerce and Economics*, DAV PG College, Banaras Hindu University, Varanasi, ISSN 0976-9528, Vol. 6 No. 02, July-December 2015, pp. 05-12.
- Saha, Sukanta (2015), An Informal "Industrial District" Syntax: From Marshall to Krugman, *Splint International*

- Journal of Professionals*, ISSN: 2349-6045, Vol. II, No. 5, May 2015, pp. 17-23.
- To Scitovsky(1954), incorporation of imperfect competition initiates internal economies of scale that implies market power. Scitovsky distinguishes between “pure” (technological) and “pecuniary” external economies. The former affects firm’s production function (e.g. Marshallian “information spillover”).
- As referred by Brulhart (1998), while concentration analyzes location across space of a few well-defined sectors, agglomeration analyzes location across space for a larger part of economic activity, and specialization deals with share of a particular location in specific industry in comparison to share of other locations in that industry.
- The Christaller model of central place is, however, inductive rather than deductive in the sense that the model is primarily based on observations rather than exploration of any schema constructed from first principles. To Parr (2002), the Loschian approach is completely deductive and a microeconomic foundation has been approached to understand the urban system. It shows that industrial concentration and urbanization may arise independently of local peculiarity and particularity.
- Social capital is social organizations (such as trust, norms, reciprocity, co-ordination, interactions belongingness and networks) between producers and workers that facilitate better co-ordinated actions among themselves.
- In the Big Push theory (Rosenstein-Rodan, 1943), the solution to the insufficient size of the local market is referred to a co-ordinated (government-led) expansion of investment - hence big push enters into. This enables firms to reap the benefits of economies of scale, thereby promoting industrialization of a backward region. Without such a big push, the backward periphery cannot catch up with the core.
- Acknowledgement**
- I acknowledge to my students of several institutions for their sincere support and participation at the time of data collection procedure during my field survey processes.
- REFERENCES**
- Bair, J. 2005. Global Capitalism and Commodity Chains: Looking Back, Going Forward. *Competition and Change* 9(2), pp. 153-180.
- Baldwin, R. E. and Forslid, R. 2000. The Core-periphery Model and Endogenous Growth: Stabilising and Destabilising Integration. *Economica* (67), pp. 307-324.
- Baldwin, R. E. and Martin, P. 2004. Agglomeration and Regional Growth . In J. V. Henderson, & J.-F. Thisse (eds.), *Handbook of Regional and Urban Economics*, Vol. 4 (pp. 2671-2712). Amsterdam: Elsevier.
- Black, D. and Henderson, J. V. 1999. A Theory of Urban Growth. *Journal of Political Economy* (107), pp. 252-284.
- Brulhart, M. 1998. *Economic Geography, Industry Location and Trade: The Evidence*. The World Economy 21(6).
- Ciccone, A. 2002. Agglomeration Effects in Europe. *European Economic Review* (46), pp. 213-227.
- Combes, P. P. and Duranton, G. 2001. Labour Pooling, Labour Poaching, and Spatial Clustering. *Center for Economic Policy Research*, Discussion Paper 2975.
- Dicken, P. Lloyd, P. E. 1990. *Location in Space*. New York: Harper & Row.
- Economides, N. and Siow, A. 1988. The Division of Markets is Limited by the Extent of Liquidity: Spatial Competition with Externalities. *American Economic Review* 78(1), pp. 108-121.
- Fujita, M. and Krugman, P. 1999. On the Evolution of Hierarchical Urban Systems. *European Economic Review* 43(2), pp. 209-251.
- Fujita, M. and Thisse, J.F. 2003b. Does Geographical Agglomeration Foster Economic Growth? And Who Gains and Loses From It? *Japanese Economic Review* (54), pp. 121-145.
- Gabszewicz, J. J. and Thisse, J.F. 1986. Spatial Competition and Location of Firms. In J. J. Gabszewicz, J.-F. Thisse, M. Fujita, & U. Schweizer (eds.), *Location Theory*. pp. 1-71. Chur: Harwood Academic.
- Handerson, J. V. 1997c. Externalities and Industrial Development. *Journal of Urban Economics* (42), pp. 449-470.
- Hansen, P., Labbe, M., Peeters, D. and Thisse, J.F. 1987. Facility Location Analysis. In P. Hansen, M. Labbe, D. Peeters, & J.-F. H. Thisse (eds.), *Systems of Cities and Facility Location*. pp. 1-70. Chur: Harwood Academic.
- Isard, W. 1956. *Location and Space Economy*. Cambridge, Mass: MIT Press.
- Jaffe, A., Trajtenberg, M. and Henderson, R. 1993. Geographic Localization of Knowledge Spillover as Evidenced by Patent Citations. *Quarterly Journal of Economics* (108), pp. 577-598.
- Krugman, P. 1991c. Increasing Returns and Economic Geography. *Journal of Political Economy* 99(3), pp. 484-499.
- Krugman, P. 2010d. The New Economic Geography: Now Middle-Aged. Presented In *The Association of American Geographers*. April 16. pp. 1-19.
- Lucas Jr., R. E. 2001. Externalities and Cities. *Review of Economic Dynamics* 4(2), pp. 245-274.
- Marshall, A. 1890a. *Principles of Economics*. London : MacMillan.
- Marshall, A. 1892. *Elements of Economics*. London: MacMillan.
- Marshall, A. 1919b. *Industry and Trade*. London: MacMillan.
- McCann, P. 2007. *Urban and Regional Economics*. New York: Oxford University Press.
- Portes, A. 1994. Informal Economy and its Paradoxes. In N. J. Smelser, & R. Swedberg (eds.), *The Handbook of Economic Sociology*. pp. 426-47. Princeton: Princeton University Press.
- Tabuchi, T. 1998. Agglomeration and Dispersion: A Synthesis of Alonso and Krugman. *Journal of Urban Economics* (44), pp. 333-351.
- Venables, A. 1996. Equilibrium Locations of Vertically Linked Industries. *International Economic Review* 37(2), pp. 341-359.
- Whitaker, K. C. and Belussi, F. 2008. *At the Origin of the Industrial District: Alfred Marshall and the Cambridge School*. International Workshop on Marshall and Marshallians on Industrial Economics, Hitot University subashi, Mercury Tower, Tokyo, Japan. March 15-16.