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THE EFFECT OF SPATIAL CONCENTRATION ON THE BUSINESS PERFORMANCE IN VARIOUS TYPES OF RUSSIAN CITIES

Abstract:

This paper empirically analyzes the effect of spatial concentration of economic activities on enterprise productivity, using Russian firm-level data. Panel data allows us to control for endogeneity biases associated with estimation of agglomeration economies, using fixed effects method. Our results show that Russian firms benefit from the share of similar enterprises in the total city revenue and urbanization, also that these advantages differ by city type. We also find a lack of connection between the level of wages and the revenues of firms for cities within agglomerations (while for other types of cities this effect is significant and positive). We assume that this is primarily due to the role of the agglomeration center, which determines the level of wages in all cities of the agglomeration. The results show that for the optimal development of territories it is necessary to pursue a diversified regional policy.

Keywords:

spatial concentration, localization, urbanization, home market potential, Russian cities

JEL Classification: D24