

## AGGLOMERATIONS IN THE MODERN ECONOMY: ROLE AND SIGNIFICANCE

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**Annotation.** In this scientific article, the process of urbanization is taking place in the modern world, which leads to the formation of agglomerations – large urban structures consisting of several settlements, united by economic, social and cultural ties. Agglomerations play an important role in the development of the economy, social sphere and infrastructure of the country and region.

**Keywords:** urbanization, economic, social, cultural relations, social sphere, economy of the region, economic growth, innovation cluster, infrastructure, innovative ecosystems, business services.

**Introduction.** Agglomeration is one of the main processes of urbanization. It consists of the Union of several settlements into one large city center. This can be caused by various factors such as economic growth, cluster formation, infrastructure and social services development, investment and talent recruitment.

Agglomeration can have many advantages for the economy and society, such as:

- Economic growth: agglomeration contributes to economic growth due to production, the concentration of scientific and educational institutions.
- Innovation and technology: agglomerations become centers of innovation and technological development, allowing to create new jobs and attract investment.
- Infrastructure: agglomerations require developed infrastructure that promotes the development of transport, energy, telecommunications and utilities.
- Social services: agglomerations provide a variety of social services such as education, health, sports and culture.
- Management: managing agglomerations requires less resources and can be more efficient.

**LITERATURE REVIEW.** Agglomerations in the modern economy: in the development of the role and importance of Max C. Keilbach, Edward L. Glaeser, Danlin Yu. the scientific works of scientists such as are important. When they look at the dynamics of regional growth rates, they usually observe growth convergence on spatial aggregates, but not convergence or even divergence in small regions of different types. This book offers a variety of approaches to learning this puzzle. A formal model combining growth theory and new economic geography approaches suggests that

spilling of spatial knowledge may be the driving force behind this behavior. To analyze an arbitrary number of Regions, the model is implemented on a local recursive simulation tool - cellular automation. Convergence regressions from different Automata runs confirm earlier findings. Finally, the spread of spatial knowledge is tested. Regressions provide strong evidence for the deposition of spatial knowledge. All relevant literature and spatial econometric methods are studied.

**RESULTS AND ANALYSIS.** Agglomeration can have some negative consequences such as environmental problems, traffic congestion and social inequality. Therefore, it is important to manage agglomeration processes taking into account these risks and opportunities.

1. Economic growth and development. Agglomerations contribute to economic growth and development due to factors such as production, concentration of scientific and educational institutions and favorable geographical location. In agglomerations, large industrial enterprises, scientific and research centers are concentrated, which provide a high level of innovation and technological development. This allows new jobs to be created and investment to be attracted, which in turn promotes economic growth.

2. Cluster formation. Agglomerations are centers of industrial and innovative cluster formation. Clusters are groups of interconnected enterprises, research organizations, educational institutions and other entities that work in one or the corresponding areas. Thanks to the interaction between the participants of the cluster, a synergistic effect is achieved, which allows you to develop and introduce new technologies, products and services, as well as increase the competitiveness of enterprises in the world market.

3. Infrastructure improvements. Agglomerations require developed infrastructure to ensure the comfortable life of the population and the activities of enterprises. As a result, agglomerations promote the development of transport, energy, telecommunications and municipal infrastructure. This will help reduce transportation costs and improve the quality of life of the population.

4. Development of social services. Agglomerations provide ample opportunities for the development of social services and the improvement of the quality of life. There are various educational institutions, health centers, sports facilities, cultural and entertainment venues. All this helps to increase the educational level, health and culture of the population, and also stimulates the development of human capital.

5. Reducing infrastructure and management costs. Due to the compact location of settlements in agglomerations, the cost of building and servicing infrastructure facilities such as roads, bridges, transport nodes and utility networks is

reduced. In addition, the management of the agglomeration requires less resources than the management of individual cities and settlements.

6. **Attracting investments and talents.** Agglomerations attract investment due to their competitive advantages and high level of development. They are also becoming Centers for attracting talented specialists and young personnel capable of developing innovative projects and industries.

Agglomeration in the modern economy refers to the concentration of economic activity and business in a certain geographical area. This phenomenon has an important role and significance in economic analysis and policy making:

**Productivity and innovation:** agglomerations often lead to increased efficiency and innovation. When firms and industries come together, they can use knowledge shedding, feedback, and a skilled labor pool. It promotes innovation and competitiveness.

**Measurement economics:** proximity to suppliers and customers in agglomerated areas can lead to cost savings through measurement economics. Firms can use resources more efficiently by reducing transportation costs and improving supply chain management.

**Human capital:** agglomerations attract skilled and diverse labor, which is very important for areas that require special knowledge. This concentration of talent can lead to higher levels of human capital development.

**Infrastructure and amenities:** governments often invest in infrastructure and amenities in agglomerated regions to support economic growth. This may include improved transport networks, educational institutions and cultural proposals.

**Urbanization and quality of life:** agglomerations are often associated with urbanization, leading to better quality of life due to better use of Health, Education, Entertainment and cultural activities.

**Positive external factors:** agglomerations bring positive external influences, which benefit not only firms in them, but also neighboring regions. For example, a developing technology center can boost the entire local economy.

**Policy results:** understanding the role of agglomerations in the EGE is very important for policymakers. They may develop policies to encourage or manage agglomeration aimed at balancing regional development and economic growth.

**Global competition:** in a globalized world, agglomerations compete with each other globally. Cities like Silicon Valley and financial centers like Wall Street are examples of highly competitive agglomerations of global importance.

**Difficulties:** although agglomerations offer many advantages, they face problems such as congestion, increased cost of living and inequality. Balancing benefits and problems is essential for sustainable growth.

**Durability:** agglomerations can increase economic stability. The concentration of different industries and talents will help regions to more effectively experience an economic downturn.

In summary, agglomerations play a decisive role in the modern economy by managing innovation, productivity and economic growth. Understanding their importance and managing their development is very important for policymakers and businesses.

**Conclusion.** Thus, agglomerations play an important role in the modern economy through economic growth, infrastructure development, improving the quality of life and attracting investments, due to their advantages, agglomeration processes continue to actively develop, and in the future their importance will increase even more. In the modern era, agglomerations are not only the geographical concentration of economic activity; they are the engines of economic growth, innovation and competitiveness. Their role in facilitating efficiency, knowledge sharing, access to resources and Markets is indispensable for the development and prosperity of modern economies. As urbanization continues, understanding and using the power of agglomerations remains a crucial aspect of Economic Policy and strategy.

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