THE GEOGRAPHY OF THE WORLD ECONOMY

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The Geography of the World-Economy

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Part One

Economic Patterns and the Search for Explanation

In this first part of the book, we introduce the scope and complexity of our subject matter, establish the salient patterns in the world's economic landscapes, and review alternative theoretical approaches to understanding the development of these patterns. Chapter 1 provides an orientation for the whole book by outlining the relationships between economic organization and spatial change. In Chapter 2, the major dimensions of the world's contemporary economic landscapes are described at various scales: international, regional and inter-urban. The objective here is to identify dominant and recurring patterns and to note the major exceptions to these patterns. Both the patterns and the exceptions raise a number of critical questions about process and theory in economic geography. What are the locational principles that govern patterns of economic activity? How should the development process be conceptualized? What are the processes that initiate and sustain spatial inequalities? These are pursued in Chapter 3. First, a critical review of ideas relating to the principles of distance and movement that are central to location theory is provided. Second, two major approaches to regional economic change – neo-classical economic/liberal models and structuralist models – are discussed. Finally, an historical-global context is presented. It is this context which provides the framework and orientation for the rest of the book.

1

Economic Organization and Spatial Change

As its title suggests, the perspective of this book is global. The reasons for this are twofold. First, the rapidly increasing interdependence of the world-economy means that the economic and social well-being of nations, regions and cities everywhere depends more and more on complex and volatile interactions that are framed at the global scale. Although local, regional and national circumstances remain very important, what happens to the economies of Australia, India, Nigeria and the United Kingdom; of Lombardy, New England, the Pampas and the Sahel; and of cities from Auckland, Bogotà and Cologne to Xi'an, Youngstown and Zagreb is determined increasingly by their changing role in systems of production, trade and consumption which have become global in scope and complex in structure. We need a global perspective, therefore, not only to understand the world-economy but also to help interpret what might otherwise appear to be purely local or regional issues.

The second reason for pursuing a global perspective as an introduction to economic geography is that it enables us to merge what have hitherto been taught and researched a separate elements of human geography. In particular, it enables us to bring together ideas from the geography of economic development – which has been dominated by a focus on the experience of less-developed countries (LDCs) – with ideas from the systematic study of resources, economic activity and economic behaviour – which have been dominated by the analysis of economic phenomena in western, industrialized countries and which constitute the subject matter of 'traditional' approaches to economic geography. Merging elements of both economic development and traditional economic geography allows us to develop a framework which, we argue, is not only sensitive to the increasing interdependence of the world economy but also to the shifts that have occurred within academic human geography. What we are alluding to here is the decreasing emphasis on quantitative modelling, systems analysis and behavioural analysis and the increasing concern for a deeper understanding of the *processes* which create both the general context of spatial differentiation and local variability within this context.

The job of the student of economic geography is to make sense of the world – the real world – and the ways in which its economic landscapes are changing. How, then, can we cope, intellectually, with the local, regional and national implications of a succession of what are literally headline-making events? Acute unemployment in Detroit, Liverpool and Bochum. A rapidly escalating budget deficit in the United States. Debt repayments that are not only a crippling handicap to the economic development of many debtor LDCs but also a threat to the economic and political stability of creditor nations. Bitter trade disputes between developed and underdeveloped countries, between the United States and Europe, and between Japan and nearly every other trading nation. Three-digit inflation in parts of Africa and Latin America. Violent labour disputes in South Korea and Taiwan. Famine in Ethiopia. Switchback stock markets; and so on. Furthermore, how should we approach the local, regional and national implications of less newsworthy but equally profound changes in the world-economy: such as the remarkable developments that have taken place in international finance and banking; and the quiet but substantial increase that has taken place in East–West economic interaction? Most of all, how should we interpret the significance of specific changes that have been occurring in the world's economic landscapes: the deindustrialization of traditional manufacturing regions (e.g. northern England, the Ruhr), the economic revival of 'lagging' regions (e.g. New England, Bavaria), the spread of branch factories in the countryside of industrialized nations (e.g. East Anglia, Jutland) and in the towns and cities of some newly-industrializing nations (e.g. Taipei, Seoul), the emergence of high-technology complexes (e.g. Silicon Valley in California, Research Triangle in North Carolina), and the consolidation of global financial and corporate control functions in a few cities (London, New York, Tokyo)?

In attempting to answer such questions, many of the methods, models and theories of 'traditional' economic geography seem to fall short. The traditional approach to 'economic regions' has been undermined as the very constitution of 'urban' and 'regional' scales have been radically redefined through advances in telecommunications and the speed and volatility of economic restructuring. Moreover, studying 'economic regions' invites the danger of confusing appearance with explanation and, at best, tends to abstract regions from their context. On the other hand, traditional approaches to systematic economic geography (locational analysis, etc.), because they rest so heavily on the assumptions of neo-classical economics (and in particular the assumption of rational behaviour on the part of firms and individuals), have become less convincing as the power and significance of monopolistic and oligopolistic elements and of national and regional governments have become more apparent in shaping economic landscapes. Moreover, the normative approaches of neo-classical economic models tend to make for an unfortunate bias towards the general and away from the variability that characterizes the 'real world'.

Nevertheless, it would be imprudent to throw out the baby with the bathwater. Traditional approaches may fall short but they are by no means without merit. We can gain useful insights from traditional approaches to economic geography if we can set them within a broader, more flexible and more dynamic perspective. That perspective can be provided by the political economy approach inherent in economic development theory. Political economy can properly claim to deal with economic and social relations rather than hypothetical actors, with the spheres of production and consumption as well as the arena of exchange, with tensions, conflict and crisis rather than equilibrium, and with an historical dimension rather than without one. The task, as Johnston (1984) has pointed out, is to develop an understanding both of the general economic forces and socio-economic relationships within the world-economy *and* of the unique features that represent local and historical variability. Following Johnston, we should clarify here the use of 'general' and 'unique'. By 'general' we mean something that is universally applicable within the domain to which it refers. By 'unique' we mean something which is distinctive, because there is no other instance of it, but whose distinctiveness *can be accounted for* by a particular combination of general processes and individual responses. For those phenomena that are distinctive but entirely remarkable because no general statements can be made in reference to them, we can use the term 'singular'. With this perspective, as Johnston observes, 'the world is our oyster':

> There is but one world-economy, to which all places are linked, to a greater or lesser degree. That economy and the ways in which it operates – almost independently now of the human societies that created it – provide the framework within which regional differences have evolved and are evolving. What is done, where and how, reflect human interpretations of how land should be used. These interpretations are shaped through cultural lenses (which may be locally created, or may be imported); they reflect reactions to both the local physical environment and the international economic situation; they are mediated by local institutional structures; they are influenced by the historical context; and they change that context, hence the environment for future interpretations. Unique they certainly are. Singular they are not. (Johnston, 1984, p. 446)

Furthermore, Johnston notes, such a perspective, while placing the world-economy in a central role, is not to be equated with economic determinism. 'Economic, political, social and cultural activities are all inter-related in a world-system whose trajectory is guided through decisions made by knowing individuals, constrained but not determined by their context, and enabled by their knowledge to make decisions that will restructure that context' (Johnston,1984, p. 444).

From such a perspective we can begin to establish some of the central interrelationships surrounding economic organization and spatial change (Fig. 1.1). At this level of abstraction, the idea of 'economic organization' approximates to the concept of 'mode of production': the way in which human societies organize their productive activities and thereby reproduce their socio-economic life. The theoretical and historical identification of different modes of production is a difficult and controversial matter, but there are five

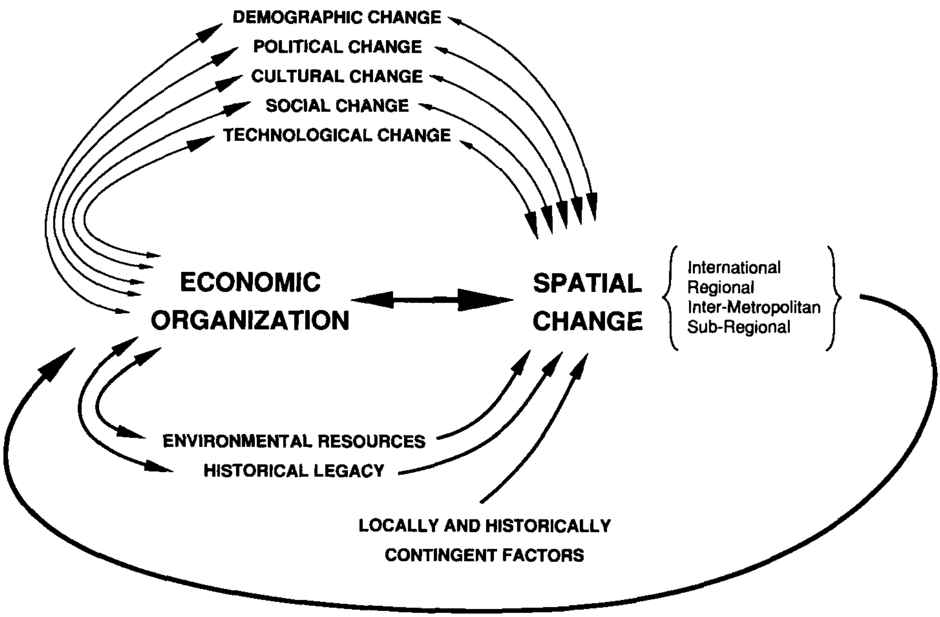

Fig 1.1 The inter-relationships surrounding economic organization and spatial change

major modes of production, or forms of economic organization, that are commonly recognized: subsistence, slavery, feudalism (or rank-redistribution), capitalism and socialism. These are all broad categories, however, and each can be broken down into more specific forms of economic organization. It is often useful, for example, to differentiate between merchant capitalism (or mercantilism), industrial capitalism (or competitive capitalism), and advanced capitalism; and it is sometimes useful, as we shall see in Chapter 5, to subdivide each of these still further. What distinguishes one mode of production from another most are differences in the relations between the *factors of production* (land, resources, labour, capital, enterprise). With the slave mode of production, for example, the labourer is bought and sold, along with other instruments of production, by the slave owner. Under feudalism, the peasant labourer may own some of the instruments of production, but the land and a certain amount of the product is the property of the feudal lord and the peasant is legally tied to a specific tract of land. Under capitalism, the labourer owns no instruments of production but is free to sell his or her labour power. It should be noted, however, that different modes of production are also characterized by different forces of production (technology, machinery, means of transportation) and by different social formations (made up of specific proportions of different social classes).

Economic Change and Economic Landscapes

The significance of all this to spatial change is that the economic 'logic' of different modes of production requires substantially different forms of spatial organization. Thus, for example, whereas feudalism brings a patchwork of self-sufficient domains with little trade and, therefore, few market centres, merchant capitalism requires a highly developed system of market towns and brings a built-in tendency for the colonization of new territories (in order to furnish new resources and bigger markets). Industrial capitalism requires spatial restructuring in order to exploit new energy sources, new production techniques and new forms of corporate organization. New mining and manufacturing towns appear, and whole regions become specialized in production. It is, of course, much more complicated than this, as we show in subsequent chapters. In addition, there are no definitive forms of spatial organization that can be associated with particular modes of production. Just as each mode of production is a dynamic, evolving set of relationships, so economic landscapes are restructured and reorganized to reflect, articulate, and, sometimes, constrain the evolution of the economic dynamo.

It should also be stressed that there is no set sequence of transformation from one mode of production to another, although the 'classic' sequence, as experienced in much of western Europe, runs from subsistence economies through slavery, feudalism, merchant capitalism and industrial capitalism to advanced capitalism. Largely because capitalism first developed in Europe and because the 'logic' of capitalism requires ever-expanding markets, the sequence elsewhere has been different. In North America, capitalism was imposed directly on subsistence (i.e. native American) economies. In Japan, feudalism was displaced very suddenly by state-sponsored industrial capitalism. In the Soviet Union, an embryonic industrial capitalism was displaced by a socialism which soon gave way to state capitalism; and so on. As a result, regional variations have come about within the world-economy because particular modes of production – and their economic landscapes – are superimposed on a variety of pre-existing forms, some of whose characteristics become obliterated but many of which persist as legacies which add to, and often modify, the new order.

More spatial change, and further regional differentiation, occurs with the evolution of a particular mode of production. Take, for example, industrial capitalism. As Massey (1984) has shown, each phase of capital accumulation, or 'round of investment' under industrial capitalism involves the allocation of different functions within the relations of production (e.g. headquarters offices, branch factories) to different regions within the national and international space-economy. Gregory (1987) has attempted to clarify this by way of an analogy with a game of cards (Fig. 1.2). In the first round, a single suit is dealt (representing a phase of capital accumulation), and each player (region) receives a different card (representing a different economic function: head office, regional office or branch plant). In the second and third rounds, other single suits are dealt. As one phase of capital accumulation is succeeded by

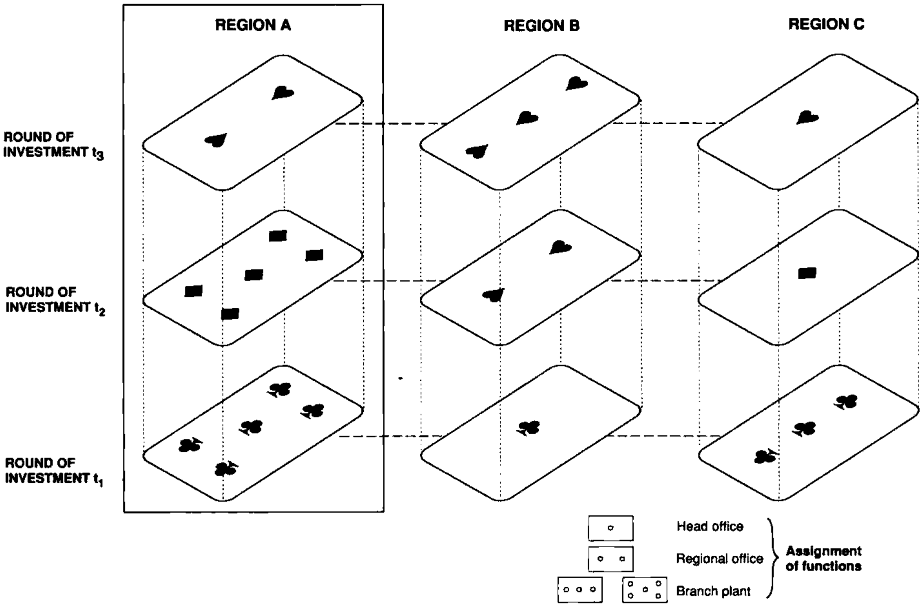

Fig 1.2 Regional change and rounds of investment
Source: Gregory (1987) Fig. 2, p. 8.

another, so the structure of local economies can be seen as the product of the combination of layers; of the successive imposition over the years of new rounds of investment and new forms of activity.

> Similarly, at the end of three rounds of our game, each player has a different hand: but in each case this is connected 'horizontally' to the hands held by other players and 'vertically' to the cards dealt in the previous rounds. In much the same way a local economy may, through the mix of its activities, be embedded in a multitude of 'horizontal' spatial structures, each of which entails different relations of domination and subordination put into place during previous rounds of investment (Gregory, 1987, p. 9).

It follows that the same round of investment can produce very different effects in different regions as a result of its combination with different pre-existing structures.

At a still more detailed level of resolution, further regional differences develop as different social, cultural and political contexts – themselves a product, in large part, of particular sequences and stages of economic organization – affect the ways in which people react to the economic imperatives of particular modes of production. Thus, for example, different forms of land tenure (e.g. corporate-owned, family-owned, rented) can develop within the capitalist mode of production, with very different outcomes in terms of patterns of land use. In addition, different socio-cultural contexts make for different interpretations of environmental possibilities, desirable products and marketable opportunities; so that a particular regional agricultural landscape must be seen as just one of a number of possible realizations. It cannot be seen as a simple reflection of a particular mode of production. Rather, it should be interpreted as the product of the combination of broad economic forces interacting with local social, cultural, political and environmental factors: a product of both the 'general' and the 'unique'.

While this example is drawn at the regional scale, the same argument applies to other spatial scales, as Figure 1.1 suggests. Questions of spatial scale and the interactions between economic organization and spatial change are, however, only part of the complexity that must be addressed by the student of economic geography. Figure 1.1 also shows that economic organization, while critical to spatial change, is itself implicated with demographic, political, cultural, social and technological change, as both cause and effect. For the moment, it must be sufficient to give brief examples of each. In relation to *demographic* change, for instance, it has long been recognized that the particular form of economic organization represented by industrial capitalism brought with it certain demands on the organization of people's daily lives, demands which eventually affected patterns of family organization, household size, and patterns of residential mobility. Meanwhile, we must also recognize that demographic change can directly affect economic organization. Rapidly decreasing death rates in underdeveloped countries, for example, have created massive excesses of labour which have induced economic 'involution' (the creation of 'survival' occupations in an 'informal' sector of the economy).

As an example of the effects of economic organization on *political* change, we can draw on the macro-scale example of the dramatic change in the world political framework as colonies were imposed on Latin America, Africa and Asia with the evolution and extension of merchant capitalism. As for an example of political change affecting economic organization, there is the recent experience of the rise of the 'new conservatism' in the United States and the United Kingdom, where conservative administrations were elected at the beginning of the 1980s with a mandate to privatize public industry, 'deregulate' private industry, cut back on welfare-related expenditures, and expand defence budgets. This same example provides us with examples of more direct effects of political change on spatial change. Defence expenditures have had significant effects on local economies within the American 'sunbelt', while welfare cutbacks have been very uneven in their impact, affecting most of all the concentrations of low-income and service-dependent households in the inner-city neighbourhoods of industrial regions.

One of the most celebrated examples of the effects of economic organization on *cultural* change is the penetration by advanced capitalism of the traditional cultures of underdeveloped countries. Along with the western colas, fast foods and consumer products that come with participation in the modern world-economy have come changes in attitudes, values and life-styles. Meanwhile, the 'counterculture' associated with western 'baby boomers' during their college years (the late 1960s) has evolved into an important component of the emergent 'postmodern' culture that is beginning to affect economic organization as changed life-styles and consumer preferences carry over into the market place and changed attitudes to work carry over into labour markets.

As an example of *social* change brought about by economic change, the best example is also the most important. This is the way that changes in economic organization necessarily recast the structure of social classes. Thus the onset of industrial capitalism brought with it a fundamental change in class structure, with a new blue-collar class of factory workers, a much-expanded middle class of white-collar workers, a new upper middle-class of professional workers, and a new élite of factory owners. In comparison, examples of economic organization being affected by social change seem less significant. They are, nevertheless, important to the dynamics of economic change and to the detail of economic landscapes. The social changes that have occurred in the United States in terms of people's perceptions of, and behaviour towards, racial minorities, for example, have clearly carried over to affect labour markets, occupational composition, and the racial composition of particular regions and neighbourhoods.

There are many different examples of the relationships between economic organization and *technological* change; though it is often difficult to disentangle cause and effect. Many technological changes, while not causing or being caused by changes in economic organization, are *preconditions* for change: the improved textile manufacturing technologies of the late eighteenth century, for example. Sometimes, however, there are direct relationships. Changes in birth control technology (the introduction of contraceptive pills) in the 1960s, for example, have had a profound effect in many western countries, not only in demographic terms but also in terms of women's participation in the workforce and the consequent changes in patterns of trade union membership, corporate hiring policies, and wages.

It will be appreciated, of course, that all of these examples have been presented briefly and, therefore, rather simplistically, in an attempt to illustrate the diversity of inter-relationships that surround the central dynamic between economic organization and spatial change. It will also be appreciated that we have said nothing about the many interactions between, for example, political change and cultural change, or between locally contingent factors and spatial change. The point to emphasize at the moment is that all these direct, indirect and interaction effects are important to an understanding of spatial change. They are all implicated, in other words, in accounting for both the general and the unique. The task of the economic geographer is to unravel these relationships within a coherent and comprehensive framework. The remainder of this book represents an attempt to provide such a framework. We begin, in Chapter 2, by establishing the major dimensions of the contemporary economic landscapes within the world-economy. In Chapter 3 we review the ideas and theories that address these outcomes, drawing on both traditional economic geography and economic