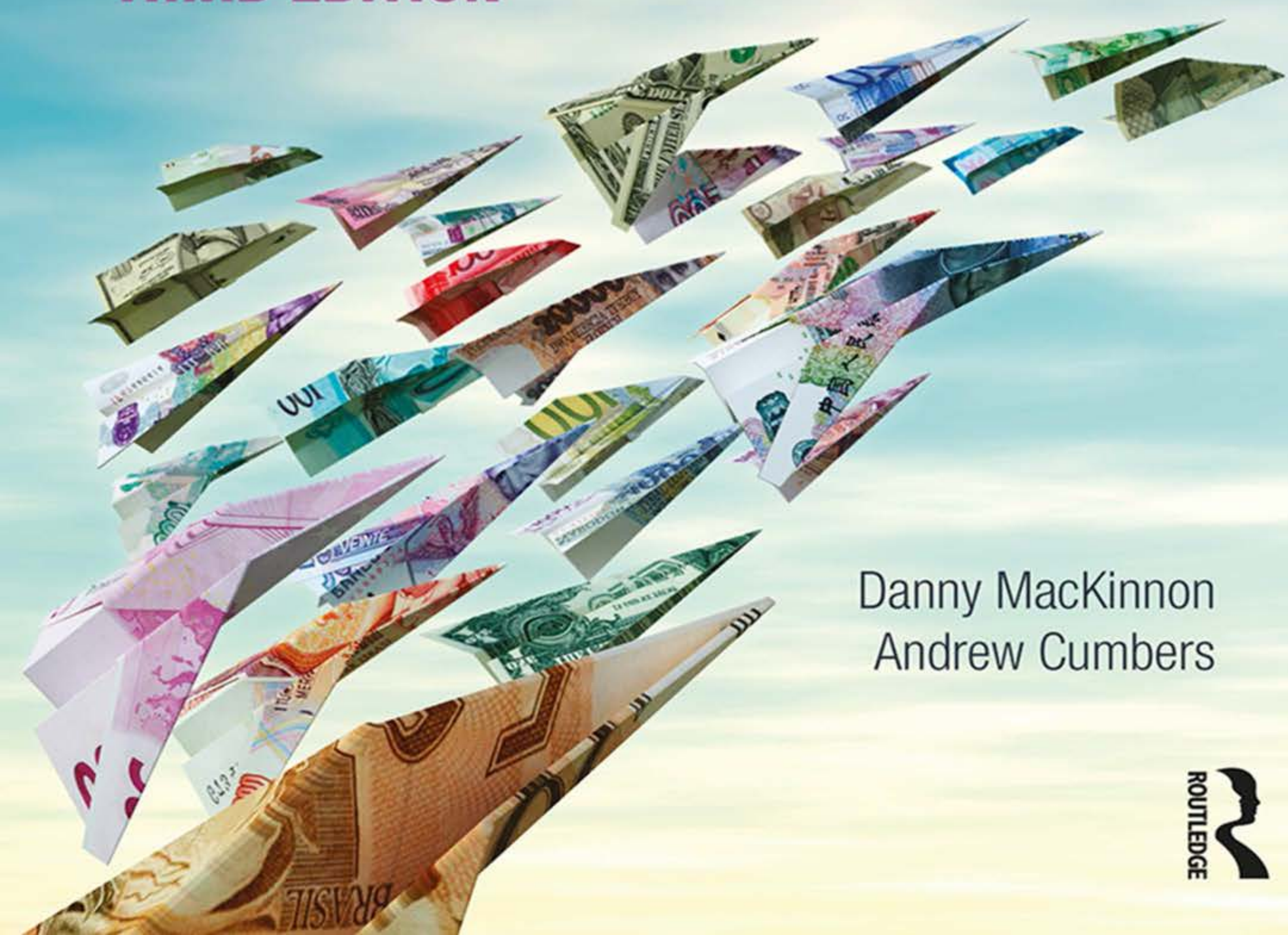
An Introduction to

ECONOMIC GEOGRAPHY

Globalization, Uneven Development and Place

THIRD EDITION



Danny MacKinnon
Andrew Cumbers

ROUTLEDGE

An Introduction to Economic Geography

In the context of great economic turmoil and uncertainty, the emergent conflict between continued globalisation and growing economic nationalism means that a geographical economic perspective has never been so important. *An Introduction to Economic Geography* guides students through the key debates of this vibrant area, exploring the range of ideas and approaches that invigorate the wider discipline.

This third edition includes new chapters on finance, cities and the digital economy, consumption and the environment. Underpinned by the themes of globalisation, uneven development and place, the text conveys the diversity of contemporary economic geography and explores the social and spatial effects of global economic restructuring. It combines a critical geographical perspective on the changing economic landscape with an appreciation of contemporary themes such as neoliberalism, financialisation, innovation and the growth of new technologies.

An Introduction to Economic Geography is an essential textbook for undergraduate students taking courses in Economic Geography, Globalisation Studies and more broadly in Human Geography. It will also be of much interest to those in Planning, Business and Management Studies and Economics.

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Preface to the third edition

In this third edition of our textbook, our main aim is to provide students with a sense of the diversity and vitality of economic geography as a lens to critically examine the changing economic landscape. The book is intended as an introductory text for undergraduate geography students, preparing them for further more specialist study. The first and second editions were very well received both by students and teachers, regarded as innovative books that, at the same time, strived to keep abreast of a dynamic and volatile global economy. We are gratified by the positive feedback that we have received both from students and the course convenors and tutors that have used the book.

As was the case with the second edition, which appeared in 2011, and was largely written in the midst of the global financial crisis, this third edition was written during a time of continuing economic and political turmoil. Alongside the 'economic' crisis dimension, there is also a sense of ecological crisis as the realities of global warming become increasingly apparent. While the immediate crisis threatening the global economy may have subsided in recent years, the subsequent 'recovery' has been a rather muted affair, with little sign at the time of writing (February 2018) of renewed stability or prolonged growth. In addition to the crisis-prone tendencies of the world economy, widening inequalities between people and places, policies of austerity and the growth of a populist backlash against globalisation are key contemporary trends that are emphasised in this third edition.

In seeking to keep abreast of such changes, this third edition has undergone some substantial revision from the second. We have replaced the threefold structure of the second edition: 'Foundations'; 'Actors and processes'; and 'Contemporary issues' with a four-part text (followed by a conclusion). Part 1 'Foundations' remains, with similar content on key processes underpinning the economy, but modified (as three rather than four chapters) and updated. Part 2, now titled 'Reshaping the economic landscape: dynamics and outcomes' features updated substantive chapters on the state, labour and development with a new Chapter 4 ('Capital unbound? Spatial circuits of finance and investment') that is a substantially revised version of Chapter 9 ('The uneven geographies of finance') from our second edition. Parts 3 and 4, 'Reworking urban and regional economies' and 'Reordering economic life', provide a significant amount of new material. Part 3 ('Reworking urban and regional economies') contains two new chapters (Chapters 8 and 10): 'Connecting cities: transport, communications and the digital economy' and 'Urban agglomeration, innovation and creativity', alongside another, 'Global production networks and regional economic development', that brings together key themes from the second edition's chapters on transnational corporations and commodity chains and global production networks. Part 4 includes new chapters on 'Consumption and retail' (Chapter 11), 'Economic geography and the environment' (Chapter 12) and an updated chapter, 'Alternative economic geographies' (Chapter 13).

We have retained the pedagogic features of boxes, reflective questions and exercises. In addition to the changes we have made to the print version of the book, this edition is novel in featuring accompanying eResource features on the Routledge website with supplementary materials for instructors and students.

We are very grateful to our editors at Taylor & Francis, Andrew Mould and Egle Zigaite, for their support and endless patience. We would also like to thank the six anonymous referees who provided excellent feedback and suggestions for improvement from the previous edition and constructive advice on the new edition.

PART 1

Foundations

Chapter 1

Introducing economic geography

> **Topics covered in this chapter**
>
> ➤ The main themes of the book:
> - globalisation and connections across space;
> - uneven geographical development;
> - the importance of place;
>
> ➤ The meaning of the economy.
>
> ➤ The nature of economic geography as an academic subject.
>
> ➤ The political economy approach to economic geography that we adopt in this book.

1.1 Introduction

In late 2013, a wave of local protests and marches broke out in San Francisco against Google's commuter buses (Corbyn 2014). While commuter buses may seem an unlikely trigger for social conflict, they had become symbolic of acute local concerns about the impact of a dramatic process of gentrification (the movement of wealthier groups into an area) on housing affordability in San Francisco and the Greater Bay Area (Schafran 2013), a conflict that is being echoed in global cities like London. In recent years, the renowned urban charms of San Francisco have made it a popular bedroom city for people who work in the booming high-tech industries of 'Silicon Valley' – the shorthand term for the world-leading cluster of electronics and internet industries around San Jose and Palo Alto in the south Bay Area (Figure 1.1). This has fuelled the gentrification of many neighbourhoods, with spiralling house prices making the city increasingly unaffordable to many lower-income residents, leading to rising eviction rates from 2011 (Corbyn 2014). It is the resultant social tension that animates the protests against the commuter buses, laid on by Google and other technology companies to transport their workers to their offices in Silicon Valley.

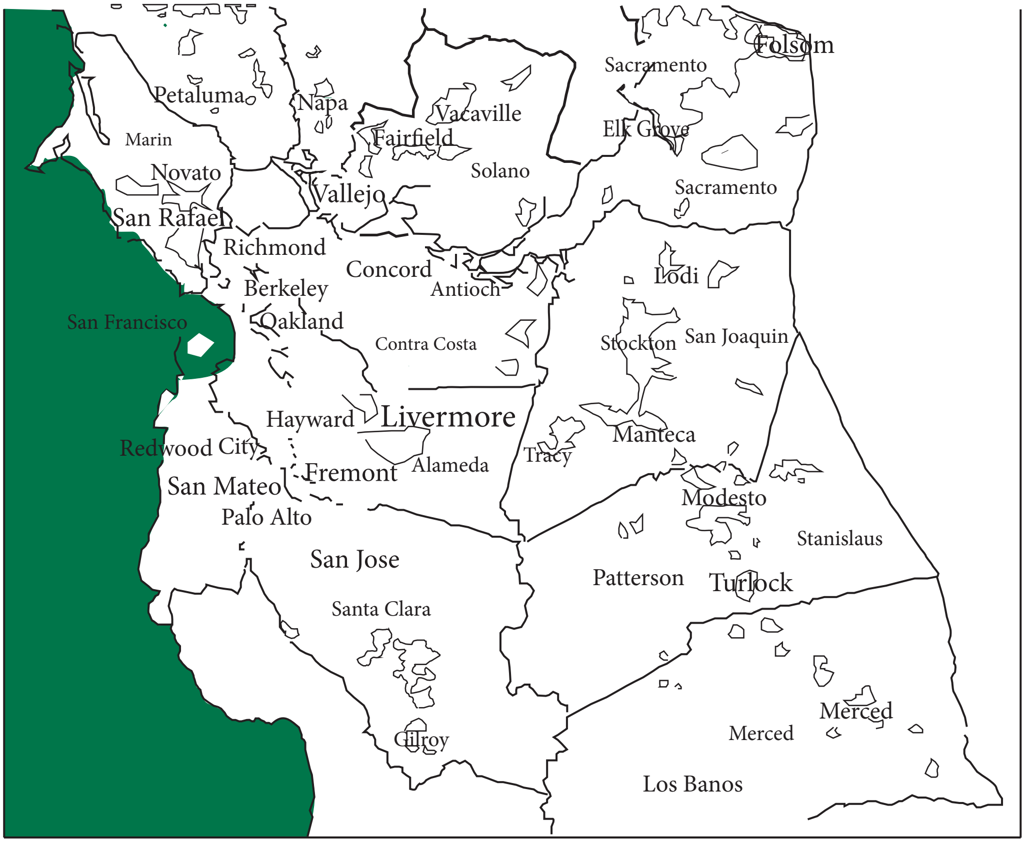

Figure 1.1 The 13-county Bay Area

Source: Schafran 2013: 668, Figure 1.

This collision between the process of economic development based on high-technology industries and the existing social fabric of the urban landscape is at the heart of the economic geography perspective developed in this book, serving to illustrate its main themes. The first of these themes is **globalisation,** which refers to the increased connections and linkages between people, firms and markets located in different places, manifested in flows of goods, services, money, information and people across national and continental borders. Here, the San Francisco Bay Area has attracted huge influxes of investment, becoming the leading centre of venture capital in the United States (US). At the same time, its booming housing market became a key outlet for the money generated on Wall Street prior to the financial crash of 2008 (Walker and Schafran 2015). In addition, economic growth has attracted large numbers of immigrants, stretching back over many decades, giving the Bay Area its characteristic social and racial diversity.

The second theme is **uneven development**, whereby some countries and regions are more prosperous and economically powerful than others. The Bay Area is the richest major metropolitan area in the US on a per capita (by population) basis, irrespective of whether this is measured by income or wealth, containing more millionaires per capita than any other large metropolitan area (ibid.: 23). Yet, as the protests over gentrification highlight, it is also one of the most socially unequal, symbolising the wider trend of rising inequality in the US. There are millions of ordinary low- and middle-wage workers who are not employed in the high-tech sector in a region with an extremely high cost of living (ibid.). Over the past couple of decades, the spread of urbanisation and the rising costs of housing in San Francisco and the Inner Bay Area more generally have driven many of these groups to live further and further out in the Central Valley counties of San Joaquin, Stanislaus and Merced (Figure 1.1). This process is generally known as ex-urbanisation, representing an extension of the well-established trend of suburbanisation to previously free-standing areas. Yet, reflecting its intense housing boom, the Bay Area has been one of the regions worst affected by the post-2008 recession and foreclosure (housing repossession) crisis. This has been particularly concentrated in the new outer suburbs in the Central Valley, with the city of Stockton being declared bankrupt in 2013.

Third, the social tensions surrounding gentrification in the Bay Area also illustrate the theme of **place**, in terms of how particular areas become entangled in wider economic processes and the consequences of this for their social make-up and identity. From the origins of San Francisco as the supply centre for the Californian gold boom of the late 1840s to the internet boom of the past couple of decades, the region has been transformed by successive waves of investment and immigration. The alternative, bohemian identity of San Francisco was established through the attraction of burgeoning counter-cultures associated with particular neighbourhoods such as hippies in Haight-Ashbury and the gay rights movement in the Castro. For some residents and critics, it is these identities and diverse neighbourhoods that are being threatened by gentrification as their social diversity gives way to the male-dominated, affluent monocultures associated with high-tech workers and entrepreneurs (Corbyn 2014). For others, however, the latter are simply the latest wave of incoming pioneers which the region will be able to accommodate in the same fashion as it accommodated previous migrants.

Reflect

Do you think that San Francisco will be able to accommodate the large-scale in-migration of high-tech workers and entrepreneurs whilst retaining its character and identity?

1.2 Key themes: globalisation, uneven development and place

In this section, we build on the Bay Area example to examine the three main themes of the book – globalisation, uneven development and place – more fully. Our selection of these themes is informed by the basic geographical concepts of location and distance, **scale**, **space** and **place**.

- Location is perhaps the most basic geographical concept, referring to the geographical position of people and objects relative to one another (Coe *et al.* 2013), i.e. *where* things are. This is often represented by maps (see Figure 1.1), and systems of grid references have been developed to convey this information in a precise form. It is clearly related to distance which is the area or space between locations, for example cities such as Hong Kong and London. Overcoming what geographers have traditionally called the 'friction' of distance (the effort and cost of moving objects and people between locations) requires time and money, for example the price of a long haul flight between London and Hong Kong. The greatly increased ability of economic actors such as **Transnational corporations (TNCs)** and banks to move money, goods, services, information and people over large distances as a result of the development in transport and communication technologies has been of great significance for the reorganisation of the international economy in recent decades.
- Scale refers to the different geographical levels of human activity, from the local to the regional, national and global (Figure 1.2). They are important to the definition and organisation of economies as indicated by the common use of terms such as the local economy, national economy and global economy by policy-makers, media commentators and citizens. It is important to see these different scales of economic organisation as overlapping and interconnected rather than viewing them as entirely separate.

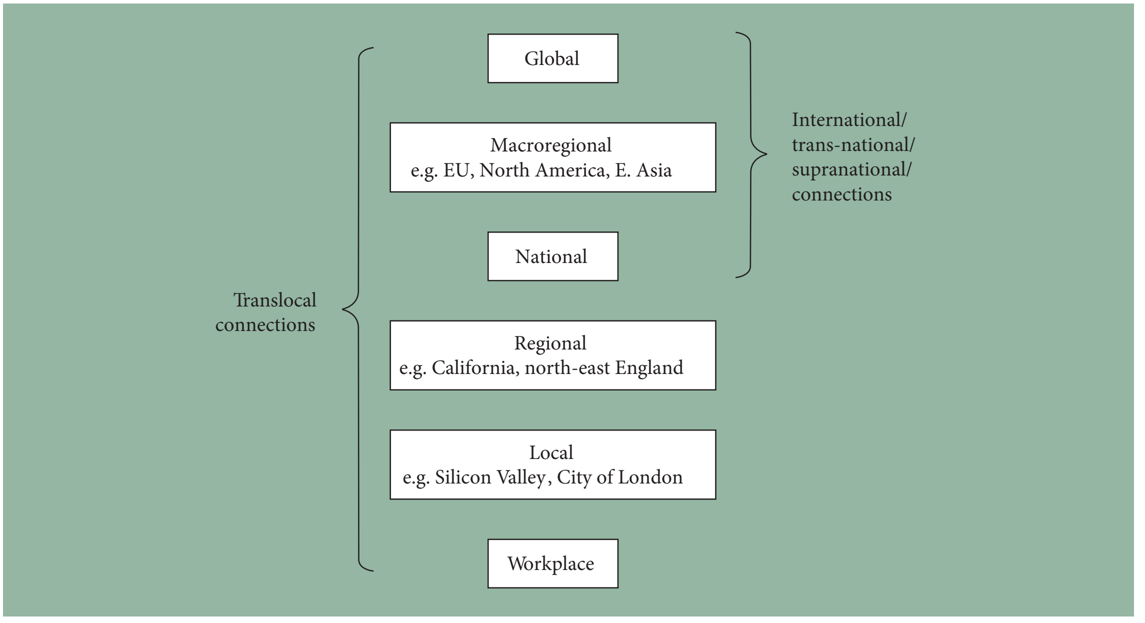

Figure 1.2 Scales of geographical analysis
Source: Castree *et al.* 2004: xvix.

- Space is an area of the earth's surface such as that contained within the boundaries of a particular region or country. It is perhaps the most abstract and difficult to grasp of the geographical concepts introduced here, and is best understood by being related to distance and place. Although a more general term, space is related to the more specific notion of distance and can also be expressed partly in terms of the area between two points (locations) in space and the time it takes to move between them. At the same time, it is often contrasted with place, particularly in terms of how spaces can be converted into places through human occupation and settlement
- Place refers to a particular area (space) to which a group of people have become attached, endowing it with human meaning and identity. This is evident in how the occupation of San Francisco neighbourhoods by particular counter-cultural groups has defined their character and identity. The geographer Tim Cresswell (2013) illustrates the distinction between space and place by referring to an advertisement in a local furniture shop entitled 'turning space into place', reflecting how people use furniture and interior décor to make their houses meaningful, turning them from empty locations into personalised and comfortable homes. This domestic transformation of space into place is something with which we are all familiar, perhaps from decorating rooms in university halls of residence or shared flats.

1.2.1 Globalisation and connections across space

The first underlying theme which runs through this book is that economic activities are connected across space through flows of goods, money, information and people. The concept of (economic) globalisation can be defined as a process of economic integration on a global scale, creating increasingly close connections between people and firms located in different places. It is manifested in terms of increased flows of goods, services, money, information and people across national and continental borders. These flows are not new as trading relations between distant people and places involving the exchange of goods have existed throughout much of human history. The notion of globalisation, however, emphasises that the volume and scope of global flows has increased significantly in recent decades (Dicken 2015). Increased trade and economic interaction between distant places is dependent on technology in terms of the ease of movement and communication across space.

A new set of transport and communications technologies has emerged since the 1960s, including jet aircraft, shipping containerisation, the internet, email and mobile telephones. The effects of these 'space-shrinking technologies' have brought the world closer together, effectively reducing the distance between places in terms of the time and costs of movement and communication (Figure 1.3).

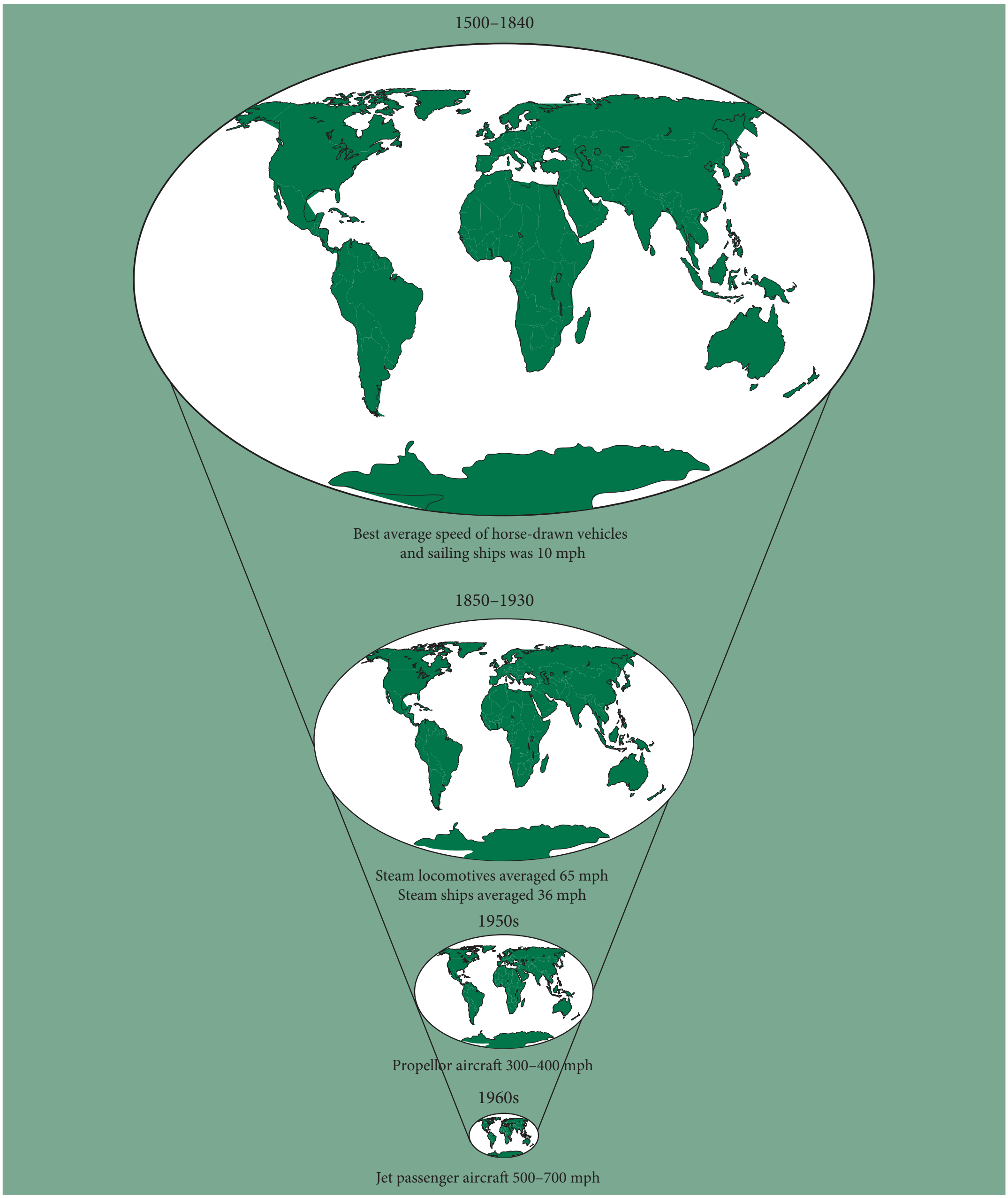

Figure 1.3 'A shrinking world'
Source: Dicken 2003: 92.

Similarly, the rise of new information and communications technologies (ICTs) such as the internet have made it possible for large volumes of information to be exchanged at a fraction of the previous cost, resulting in **'time-space compression'**. The term was introduced by the geographer David Harvey (1989) who argued that the process of 'time-space compression' has been driven by the development of the economy, requiring geographical expansion in search of new markets, supplies of labour and materials. Investments in transport and communications infrastructure have facilitated this process of geographical expansion, reducing the effects of distance as it becomes easier and cheaper to transmit information, money and goods between places. As such, time and space are effectively being compressed through the development of new technologies. This is not an entirely novel process with a previous 'round' of time-space compression occurring towards the end of the nineteenth century through inventions such as railways, steamships, the telegraph and the telephone.

While globalisation has become a key buzzword of the last couple of decades, it should not be viewed as a single, unified phenomenon or thing, but as a group of interrelated processes and activities (Dicken 2015: 6). These include the vastly increased volume of global financial transactions, the impact of internet technologies, the creation of increasingly global consumer markets, the power of TNCs to relocate economic activities to other countries, the rise of new economic powers like China, India and Brazil and the role of international economic organisations in managing the global economy (Box 1.1). This complexity means that globalisation cannot itself be held ultimately responsible as the single cause of other related problems such as social and economic inequality. Such problems are likely to have many causes, and national and local factors are often bound up with the operation of global forces. Furthermore, globalisation is an ongoing set of processes rather than a final condition that has actually been achieved: "although there are undoubtedly globalising forces at work, we do not have a fully globalised world" (ibid.: 7).

In both the academic literature and much popular commentary, the term globalisation is used in two distinct senses (Dicken 2015: 3). The first is empirical or factual, referring to the actual changes that have occurred in the organisation and operation of the world economy. This is often represented in statistics such as figures on the volume of world trade, financial flows or the number of internet users. The second is ideological and refers particularly to the free market, **neoliberal** ideology or world view of globalisation as a project

Box 1.1

Managing globalisation: international economic organisations

These organisations were created at the end of the Second World War as part of the Bretton Woods system, alongside the regime of fixed exchange rates. Since the early 1980s, their policies have been shaped by **neoliberalism** (Box 1.2).

- The International Monetary Fund (IMF). The role of the IMF is to promote monetary cooperation between countries, and to support economic stability and trade. The provision of financial assistance to countries experiencing budgetary problems allows the IMF to set conditions requiring countries to reform their economies. See www.imf.org/
- The World Bank (officially the International Bank for Reconstruction and Development). Its role is to provide development assistance to countries, mainly in the less developed world. The Bank runs a range of programmes and initiatives aimed at reducing poverty and narrowing the gap between rich and poor countries. See www.worldbank.org/
- The World Trade Organisation (WTO), established in 1995, taking over from GATT (the General Agreement on Tariffs and Trade). The role of the WTO is to ensure a free and open trading system, working through successive 'rounds' or conferences where member countries come together to negotiate agreements. See www.wto.org/

(Box 1.2) (ibid.: 3). The two are often confused. While they are often linked together in practice – typically, for instance, neoliberal world views emphasise certain factual aspects of globalisation such as increases in international trade, but exaggerate their meaning and significance to support certain political objectives such as reduced government intervention in the economy – they have distinct meanings. Accordingly, drawing an analytical distinction between the empirical and ideological aspects of globalisation is important because it helps to develop a clearer understanding of what can be a complex and confusing concept.

After the collapse of Soviet communism and the broader Cold War order, globalisation became closely tied to claims about the "triumph of free market capitalism" (Jones 2010: 9). This was promoted and justified through a neoliberal project that portrays globalisation as a mutually beneficial and inevitable process which increases economic well-being by enabling a more efficient allocation of resources through the market and free trade, leading to reduced poverty over the longer term.

While the neoliberal project of globalisation encountered little sustained opposition through much of the 1990s, a new wave of opposition and protest emerged with the so-called 'Battle in Seattle' in December 1999. Seattle brought together a large number of protesters to demonstrate against neoliberal globalisation and the WTO's efforts to launch a new round of trade negotiations. It was a key moment in the formation of a **counter-globalisation movement** which espouses a more open, participative 'bottom-up' model of globalisation. The counter-globalisation movement opposes the top-down model of neoliberal globalisation, associating it with increased corporate control, policies of privatisation and liberalisation, and large-scale inequality and poverty in the global South (developing world) particularly. In the wake of the post-2008 economic crisis, the focus of protest and action moved away from globalisation *per se* to focus on issues of inequality and the adoption of austerity policies by governments through movements such as Occupy and the protests in Greece. This underlines the crucial point that globalisation is not only a topic of endless academic discussion, but also the subject of active political contestation and conflict (Routledge and Cumbers 2009).

The real significance of the move towards a more integrated global economy lies not so much in its quantitative extent (for example, the volume of trade or number of countries involved), but in the qualitative transformation of economic relationships across geographical space (Dicken 2015: 6). This emphasises the intensification and spending up of economic relations and economic life as the world economy has become increasingly interconnected. As economic geographers, we are particularly interested in the impact of these changes on urban and regional economies.

Box 1.2

Neoliberalism

A central feature of the period since the 1970s has been a changing economic policy context, with the emergence of a dominant set of policy prescriptions which have exerted a powerful influence on the thinking of many politicians, business leaders, commentators and interest groups. Neoliberalism in simple terms entails a commitment to the promotion of free markets and private property rights and the reduction of state involvement in the economy. It involves the advocacy of more specific reforms to further this objective through measures such as trade liberalisation, financial market deregulation, the elimination of barriers to foreign investment, the privatisation or selling of state-owned enterprises to the private sector and the deregulation of labour markets. Since the 1970s, it has replaced Keynesianism – based on a commitment to full employment and state intervention to stimulate growth during periods of recession – as the dominant mode of thought governing global economic policy-making (section 5.5).