



# ECONOMIC GEOGRAPHY

A CONTEMPORARY INTRODUCTION  
2ND EDITION

Neil M. Coe ♦ Philip F. Kelly ♦ Henry W.C. Yeung



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Second Edition

Neil M. Coe, Philip F. Kelly and  
Henry W.C. Yeung

**WILEY**

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# PREFACE

When the first edition of this book was published in 2007, there was a dearth of material available for students that reflected the contemporary state of economic geography. Since then, some excellent volumes have appeared, but we believe that the model developed for this textbook remains distinctive in several ways and we have retained these features in this second edition:

- First, the book is structured on the basis of topical issues that are tackled using a geographical perspective, rather than on the basis of intellectual history or academic debates. We believe this is still the best way to engage students, many of whom come to our courses with a curiosity about the world around them, but not necessarily a commitment to Geography as a discipline, or any prior knowledge of the field.
- Second, the book is written in what we hope is a clear and engaging style. For many students Economic Geography is not a field with a great deal of immediate appeal, but we have tried to present it in an accessible and interesting way. To avoid overcrowding the text and reading, we use only sufficient data and facts to support our arguments and explanations.
- Third, although this is not a book about the global economy *per se*, we have made a deliberate effort to ensure that it addresses the major issues confronting the global economy today and it draws examples from around the world, reflecting the varied contexts in which the book is used. As such, we make no distinction between Economic Geography and the often-separate subfield of 'Development Geography'.
- Fourth, the book reflects the range of topical and theoretical approaches that exist in contemporary Economic Geography. Instructors will recognize that political-economic and institutional approaches underpin much of the book, but at the same time post-structural thinking and efforts to explore the economic implications of culture and identity are also taken seriously.

In short, this book aims to present a conceptually rich and yet readable introduction to the field of Economic Geography that showcases the different ways through which economic geographers understand economic processes. It is designed to appeal to students who are coming to Economic Geography for the first time, while also offering depth to those more familiar with the field.

## Changes in the second edition

In writing the first edition, we were conscious of the need to avoid publishing a book that was ‘of the moment’ – in other words, a compendium of contemporary economic patterns that would be outdated as soon as it was published. We opted instead for a pedagogical model that was based on developing geographical arguments about the empirical issues at hand. These were substantiated with data, but the arguments, we believed, would outlast the data. Eventually, however, the ongoing dynamic of change in economic processes, and the shifting directions of scholarship in Economic Geography, mean that both topics and arguments need to be revisited. In this second edition we have made a number of changes to reflect our changing times.

- An entirely new chapter on finance has been added. Although we have consciously avoided structuring the book around a list of economic sectors, we believe that the global financial system today represents not just a sector in its own right but also an essential input to all other economic activities. As the financial crisis of 2007–09 demonstrated for North American and European economies (and the earlier crisis of 1997–98 demonstrated for East Asia), a clearer understanding of how the financial system works and how it is integrated with the rest of the economy must now be central to the study of Economic Geography.
- Four new chapters replace parts of chapters in the first edition. The new chapters relate to Technology, Retail, Clusters, and Consumption. This allows us: (a) to tackle influential ideas concerning innovation and economic clusters in far more detail; (b) to examine closely the changing geographies of retail activity that now account for such a large proportion of employment and value-added in many economies; and (c) to explore issues of consumption in more detail, including the consumption of places through tourism – a sector that was largely missing in the first edition.
- Chapter 1 introduces geographical concepts of location, territory, place, and scale in an entirely new way, and using an example that is literally at the fingertips of every student: Facebook.
- The first edition of the book was vigorous in its critique of approaches in Economics, which were sometimes presented in rather caricatured form. In this edition, we have avoided adversarial confrontation of this kind, preferring instead to focus on the positive appeal of a geographical approach. At the same

time, we have sought in Chapter 2 to provide more coverage of fundamental economic concepts so that students will be equipped with the vocabulary necessary to understand the different approaches offered by Geography and Economics.

- Although, as noted above, we generally avoid mapping out disciplinary issues, this edition features a new concluding chapter that will help students understand how the material they have read fits into the context of Economic Geography as an academic field. This is targeted especially at those intending to pursue higher-level studies in the field and who want to know how approaches in Economic Geography correspond with wider intellectual trends in Geography as a whole.
- Finally, data, examples, and references have been extensively updated throughout. In both developed and developing countries the last five years have seen turbulent economic upheavals and structural shifts of various kinds. It is, in some respects, a different economic world. Where relevant, we have reflected this in the data and examples presented. Economic Geography has also moved ahead intellectually, and we have tried to incorporate this as well.

## Audience

The book is designed for introductory courses on Economic Geography in an undergraduate degree programme. The text is written in an accessible way, but some of the processes and ideas that it discusses are inevitably complicated. The ways in which the text is used will therefore depend on instructors' assessments of their students' background and preparation. Students who already have some familiarity with the concepts and arguments presented in this book could likely use the chapters as their starting point for further exploration of a given topic through articles from the research literature in Economic Geography, including those suggested in the reading notes for each chapter. But for those with little background in Geography, or even in the social sciences in general, the chapters in this book might be better approached through an initial reading pitched at a popular audience, from a news magazine or website. In other words, the chapters in this book may be the starting point or the end point, depending on the students involved. The book is designed so that it could serve either purpose.

While the pitch of this book is intended for a particular audience, it is also worth noting that a specific conception of what constitutes Economic Geography is implicit in our selection and treatment of topics. The text is therefore targeted to those instructors who share, or wish to adopt, this approach. A few points are worth making in this regard:

- First, this is a book that explores the multiple scales of economic processes and is not, therefore, focused exclusively on larger processes at global or national scales. For example, we believe that Economic Geography has as much to contribute in thinking about how gender roles in the household play



out within the spaces of the urban labour market, as it does in understanding the globalizing organizational forms of transnational corporations (and so we cover both).

- Second, ours is a largely qualitative vision of the field, in the sense that we do not emphasize formal analytical techniques in the book. Rather than providing exercises in quantitative analysis, we focus instead on stimulating students with critical perspectives and arguments. For example, in thinking about ethnically-structured labour markets, we are more interested in inviting students to think about the processes that lie behind such phenomena than in explaining how to demonstrate statistically that such patterns exist. That said, statistical exercises can, of course, be used as supplementary assignments alongside this text.
- Third, we focus on what we see as some of the best of recent scholarship in Economic Geography. Although classic models and approaches are covered, our goal is to expose students to the insights that *contemporary* Economic Geography can provide in making sense of the world around them. We tend, therefore, to cover locational analysis and other classical approaches in detailed boxes rather than the main text.
- Fourth, we do not seek to establish impervious boundaries between Economic Geography and other cognate fields concerned with social, cultural and political processes. Our vision of the discipline is a porous one and we take seriously the need to view the economy as embedded in other spheres of life. For example, we see consumption not ‘just’ as an economic act, but also a political engagement through fair trade and other certified products, and as a component of identity formation. In this sense, the book is very much in tune with what geographers have called the ‘new economic geography’ (not to be confused with the approaches in Economics that are often given the same label). The audience for this book is, then, among those who share this ecumenical vision of Economic Geography.

## Organization of the book

This book takes the form of a series of linked chapters on topical issues and contemporary debates that draw upon, and showcase, some of the best research in Economic Geography. These issues are drawn from contemporary economic life, which is increasingly constituted at a global scale – from uneven development, space-shrinking technologies, and environmental degradation, to powerful global corporations, organized labour, and ethnic economies. We see each of these as issues rather than just phenomena, i.e. they are processes to be debated rather than factual realities to be described. Each chapter thus seeks to answer a significant contemporary question that a curious and well-informed reader might reasonably be expected to ask about the world around them.

This, then, is not a conventional text: our aim is to develop well-grounded *arguments* from an economic geography perspective, not necessarily to present simplifications of multiple viewpoints or collections of facts and data. We are,

however, trying to develop these arguments in straightforward and accessible ways.

The book is organized into four parts:

**Part 1: Conceptual Foundations** – This section introduces the basic building blocks of geographical analysis and our understanding of the economy. These are brought together in a geographical understanding of the dynamics of the capitalist system. Chapter 1 examines location, territory, place, and scale as core geographical concepts, while Chapter 2 explores where the idea of ‘the economy’ comes from historically and some of the common concepts used in economic analysis such as demand, supply, production, markets, and firms. Chapter 3 then mobilizes these geographical and economic concepts into a dynamic and structural account of uneven development in a capitalist economy.

**Part 2: Making the (Spatial) Economy** – having explained the dynamics of capitalism, here we introduce the inputs and actors, besides capitalists, that make the system work: the state, nature, labour, and finance capital. Chapter 4 discusses the state in its varied manifestations and the ways in which it shapes economic activity. Nature is examined, in Chapter 5, as an input to the economy through processes of commodification. Chapter 6 considers labour as a factor of production, but more particularly as an active agent in shaping the economic landscape. Chapter 7 looks at the financial system both as a source of productive capital and an economic sector in its own right.

**Part 3: Organizing Economic Space** – here we explore the ways in which economic relationships across space are established, organized and maintained. Chapter 8 introduces the commodity chain concept, which provides the overall framework for this part of the book, and we will ask how we might seek to regulate and control the production processes behind the commodities we consume. The commodity chain is fundamentally shaped by technologies of movement, communication and product innovation that are examined in Chapter 9. The role of transnational corporations in organizing global production networks is explored in Chapter 10, while Chapter 11 focuses on restructuring in the retail business as the end point of the commodity chain.

**Part 4: People, Identities, and Economic Life** – The final part of the book explores the blurred line between economic processes and the social and cultural contexts in which they are embedded. Chapter 12 highlights the very social process of economic cluster formation, and the benefits of learning and innovation that result. Chapter 13 examines the role that gender plays in economic life, in reproductive work, in waged workplaces, and in entrepreneurship. Ethnicity is the focus of Chapter 14, which explores how labour markets are ‘colour coded’, how ethnic entrepreneurship works, and how transnational economies result from migration. Chapter 15 then examines the intersections between who we are and what we consume, i.e. how identity is tied up with consumption and how places themselves become consumable through tourism. In concluding the book, Chapter 16 opens up two broader issues for students interested

in pursuing the subject further: understanding the intellectual development of Economic Geography as an academic discipline, and thinking about how future economic trends may present new challenges to the field.

## Pedagogical Strategies

Each chapter in this book follows a similar structure. In most cases the chapter title is worded as a fairly intuitive question, reflecting our attempt to engage with questions that students might have of their own economic worlds. Although the topic for each chapter also lends itself to coverage of a defined field within Economic Geography, we have deliberately avoided framing chapters in disciplinary terms in this way.

The chapters open with what we call the ‘hook’, i.e. a (hopefully engaging) contemporary example or issue used to introduce the key theme of the chapter. In the second section we tackle a commonly held myth or misapprehension about the topic at hand (e.g. the nation state is dead, or transnational corporations are all-powerful) and illustrate how these myths often rest, in large part, on a non-geographical understanding of the world around us. The main body of each chapter then serves to illustrate the necessity and effectiveness of taking an explicitly geographical approach for understanding different aspects of the economy.

Our aim is to make these arguments in a clearly understandable, lightly referenced, jargon-free manner, drawing on a wide range of examples from across different sectors of the economy, and from around the world. Boxes within the text are labelled as ‘key concepts’, ‘case studies’, and ‘further thinking’, and they offer more detailed elaborations on specific ideas or examples.

The penultimate section of the chapter is designed to add a ‘twist’ to the arguments that have preceded it; or, in other words, to probe somewhat more deeply into the complexity of contemporary economic geographies. Additional nuances and insights are offered in these twists to encourage students to avoid simplistic views of economic activity. Each chapter then concludes with a short summary of the main themes covered.

What lies after the summary is also important. First, for ease of use, the reference list is included on a chapter by chapter basis. Second, the reading notes in each chapter guide the student towards what we identify as the most engaging and accessible literature on the topic. Some of these readings identify the sources of well-known case studies we have drawn from the geographical literature, enabling students to ‘flesh out’ the brief summaries offered in the chapter. We also identify up to five online resources per chapter that can also be used to supplement the chapters. In most cases, these include web resources that can be consulted for updated examples and data.

Overall, our intention is to offer an exploration of Economic Geography rich in examples and case studies that can, on the one hand, expose students to economic life and practices in various parts of the world, and, at the same time, introduce concepts that can be ‘put to work’ in their own local contexts. Hence the text can be used alongside local literature and case studies wherever the book is adapted.

# ACKNOWLEDGEMENTS

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On an individual level, we all would like to thank our respective colleagues, friends and families for their support and understanding. Neil's contributions

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NC, PK and HY  
Glossop, Toronto and Singapore  
June 2012

PART I

CONCEPTUAL FOUNDATIONS





# CHAPTER 1

## THINKING GEOGRAPHICALLY

### Goals of this chapter

- To understand the distinctive elements of a geographical mode of thinking
- To elaborate on key concepts such as location, distance, territory, place, and scale
- To apply these concepts to economic phenomena

### 1.1 Introduction

In February 2004, while still a 19-year-old undergraduate student at Harvard, Mark Zuckerberg created a social networking website called Facebook. Six months later, his company had established itself in California's Silicon Valley, just outside the campus of Stanford University. By the end of 2010, *Time* magazine had lauded Zuckerberg as its Person of the Year, a critically-acclaimed movie had told the story of the company's creation, and by 2012 around 850 million people worldwide were Facebook subscribers. In other words, more than one-tenth of the world's population had an account. When Facebook shares were floated in 2012, the company was valued at US\$80–100 billion – more than many long-established media corporations, like News Corporation or Time Warner, and more than many of the iconic corporate entities of a previous generation, such as Sony or General Motors.

Facebook's value was not, however, based on its income, assets, or profits. In 2011, its profits amounted to about \$1 billion, largely generated through advertising revenue. Rather, the price tag reflected recognition of the potential value attached to its 850 million subscribers and its dominance in terms of web traffic (*The Economist*, 2012). In 2010, Facebook accounted for 8.9% of all

web visits in the United States (even exceeding Google's 7.2%). Subscribers to Facebook spent about 700 billion minutes interacting with its site every month (an average of almost 17 hours per month for each user) (Facebook, 2011). This amounts to a huge potential for earnings, through advertising, linked applications, and online games.

Facebook might seem an odd example to use in introducing the field of Economic Geography. To most of its users, after all, Facebook is primarily a venue for social networking, for staying in touch with friends and sharing photographs, thoughts, invitations, and so on, rather than engaging in economic activity. Its product is free to use and does not require any economic transactions on the part of users, beyond their prior purchase of a computer or mobile phone and a contract with an internet service provider. Furthermore, communications on Facebook seldom concern "work-related" activities, as many employers are acutely aware!

In addition to being apparently noneconomic, Facebook might also seem to make geography itself irrelevant. Time spent on Facebook appears to involve no interaction with the earth's physical systems, and the company's product is, to its users, weightless and virtual. Facebook would also seem to eradicate the impediments created by geographical space. Its own home page depicts a graphic of social linkages transcending a map of the globe (see Figure 1.1). Distances, places, borders, and other markers of geographical space appear to offer little hindrance to the spread of an individual's network of friends through the site, and the possibilities for communication. Users can stay in touch with a network of friends almost regardless of where on earth they are located, and the difference in connection times between various locations is almost imperceptible. Perhaps more than any other business, then, Facebook would seem to exemplify the end of geographical space.



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**Figure 1.1** Facebook – the transcendence of geographical distance?

If we look a little closer, though, Facebook and its business operations provide both an economic and a geographical story. Clearly Facebook is an economic phenomenon. As a business itself, Facebook employed around 3,000 people in 2011 and generated sales of nearly US\$4 billion. But its product also represents an economic tool used by many other businesses to reach and connect with clients and customers, both as a networking device in its own right and as a venue for advertising that might once have appeared in newspapers or magazines. Facebook also represents a platform on which developers are creating software applications, thereby generating economic activity well beyond the company itself. Facebook estimates that entrepreneurs and software developers in 190 countries work with its platform. Looked at from a different angle, Facebook and the internet more generally provide channels through which networks of solidarity and struggle might be created between workers around the world (a theme we will return to in Chapter 6).

Facebook is also a profoundly geographical story. Here we take “geographical” to mean the patterning of activities (in this case, economic activities) on the earth’s surface. The central questions asked by economic geographers are how economic patterns across space are configured, and why things happen where they do. But space itself is not a straightforward idea, as it is more than just the canvas on which such patterns are imprinted. If that were the limit of our interest in space, then we would simply be describing patterns rather than trying to explain them. Rather, space is an active part of explaining geographical patterns, meaning that economic activities are shaped by spatial relations – space is not just *where* things happen, it is also *why* things happen where they do. Seeing space as an explanatory factor in this way involves thinking carefully about what we mean by space. In this chapter we develop four conceptions of space and illustrate their meaning with reference to the Facebook example.

The first concept is location (Section 1.2), which involves the positioning of people and objects relative to each other. A key variable here is distance. Overcoming distance requires time and money and so it determines a great deal about how the economic landscape is configured. This is true whether we are thinking about traded goods being moved, people commuting to work, or shoppers traveling to retail outlets. We will examine, in particular, some of the classic models that economic geographers have used to demonstrate how the cost of distance (sometimes called the “friction of distance”) affects location in space.

A second geographical conception of space is territory (Section 1.3). If location and distance are about coordinates on a map and the physical space that separates them, then territory is about carving out defined portions of space and exercising power over them. The primary form of territorial power is exercised by governments, who can affect both economic activities within their territories and economic flows across their borders.

Third, we consider the concept of place (Section 1.4). Places are formed when space takes on certain unique characteristics that are meaningful to the people who interact with them. Places may have cultural or political significance, but they also shape economic patterns in important ways. Economic places do not, however, just create themselves internally – rather they are the product of various flows across space that intersect differently in different places to generate one-of-a-kind outcomes. It is the uniqueness of those outcomes that plays a part in determining where economic activities will “take place.”

Finally, we will think about scale (Section 1.5). Both territories and places are defined areas of space, but they might represent a range of different scales – state territories vary widely in size, and while a house is a place, so too is Beijing or South Wales. This might seem a rather straightforward idea, but scale becomes complicated when we are thinking about space in economic life. Which scale should we focus our attention upon? How do different scales relate to each other?

## 1.2 Location and Distance

Perhaps the most basic way of thinking about space is as a grid of points that we can describe using a system of coordinates. Detailed maps do this quite effectively using longitude and latitude. The lecture hall where your class takes place could easily be described in these terms. It could be given precise global coordinates and you could then also describe your own location in that classroom through a regular pattern of rows and seats (3rd row, 4th seat from the end, etc.). This conception of space, based on some kind of definable measure of position, is often referred to as absolute space. It is the space of geometry and mathematics, and allows the specification of point locations, lines, and areas. Space in this instance is simply a grid for defining an absolute position.

Taking space as a grid of coordinates also allows us to go one stage further. We can examine the location of people and things in space in terms of their position in relation to each other. This is, in fact, far more important than simply knowing the coordinates of something on a map, as it allows us to start thinking about patterns in economic space – what kinds of things are happening where, and why this might be so. The absolute space of distance helps us with this explanation because overcoming distance requires time and money and so is nearly always a factor in determining the location of economic activities. As raw materials and finished goods are transported for longer distances, for example, the more expensive they become or the more they deteriorate in quality. As people decide where to shop, they must factor in the costs in time and money of traveling to retail outlets at varying distances away. In an urban center, a labor market can usually only be created out of those people who are close enough to commute to work at the beginning and end of the work day. This means that most cities have a labor market represented by areas within 1–2 hours of commuting time.

It is also important to note that the distance between points on a map is not necessarily the most significant factor in determining the effect of location on economic activities. It may, for example, be quicker to get from New York to Amsterdam than to get from Green Bay, Wisconsin, to Austin, Texas, even though the trans-Atlantic journey is much longer in terms of absolute distance. Likewise, it may be less expensive to ship large quantities of manufactured goods from China to California than it is to move them from California to urban centers across the United States. What matters, then, is not absolute distance measured on a map, but rather *relative* distance, measured in freight/transport costs or travel time. This is, in turn, dependent on the configuration of transportation modes and intersections. Relative space is, then, frequently more important in economic terms than absolute space.

For many years, absolute and relative locations were the key conceptions of space used by economic geographers as they sought to understand how the “friction of distance” affected the spatial pattern of economic activities. A classic early version of this idea was provided in the early 19th century by Johann von Thünen, who examined the way distance affected agricultural land use patterns (see Box 1.1). Another German theorist, Walter Christaller, applied a similar style of thinking to the patterns of cities, towns, and villages that develop across economic space (to be discussed further in Chapter 11).

The key point to note in both von Thünen’s and Christaller’s ideas was that they saw space in terms of relative location – between producers and marketplaces, and between marketplaces and consumers. By establishing certain assumptions and by analyzing how distance affected relationships, they were able to develop models that could predict how economic activities might be arranged in space. This was a powerful way of thinking and inspired a great deal of subsequent research in Economic Geography, much of it developing a more sophisticated mathematical version of the analyses produced in these early models. Such approaches are often labeled “locational analysis” or “spatial science,” indicating their ambition to find principles that underpin the arrangement of economic activities in space. The effects of distance and transport costs on patterns in economic space also formed the basis for studies by economists developing what they term “the new economic geography” (see Box 1.2).

If we return to the example of Facebook, we might at first imagine that the study of location and distance has little to offer. It is certainly true that relative space has been greatly disrupted by the networks created through internet connectivity. It is, for example, just as easy to connect on Facebook whether a person is in New York, New Delhi, or New Zealand. And to a certain extent, the internet allows real economic transactions to take place without any “friction of distance.” Buying applications, music/video downloads, or software are all possible regardless of where the consumer, or the business selling those products, is located. Other kinds of production may also be facilitated by the internet. Even physical products, like this book, can be created using the internet to overcome distance (for example, as draft chapters are circulated by email between authors located in the U.K., Canada, and Singapore, and publishers in the U.S.).

**KEY CONCEPT***Box 1.1 J. von Thünen, land use, and bid-rent curves*

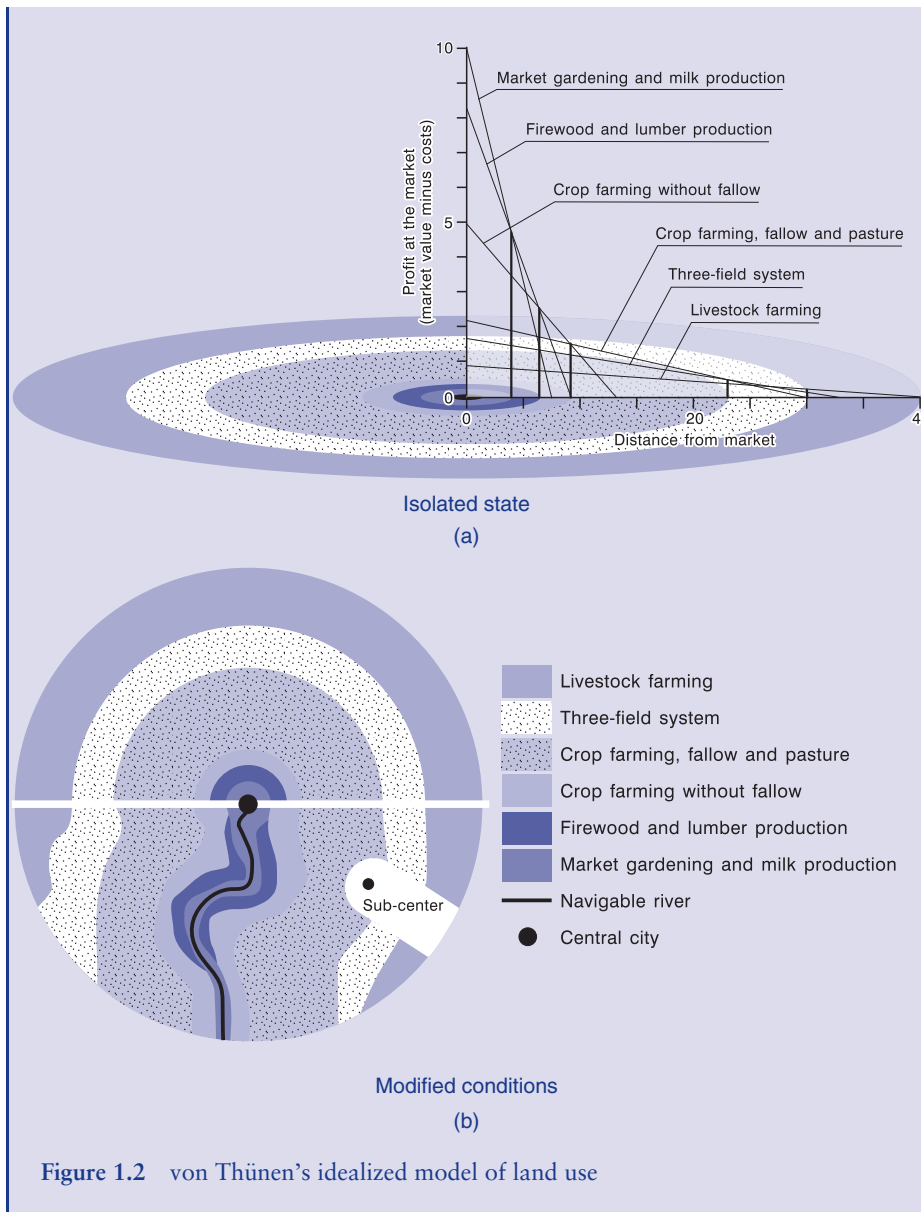
One of the earliest examples of an attempt to analyze the effect of distance on patterns of land use was developed by a German landowner almost 200 years ago. Johann-Heinrich von Thünen (1783–1850) was trying to find a logical way of understanding how to use land on his estate in order to maximize economic benefits. Using a very simple model he showed that the different value and transportation costs of various crops meant that they would “bid” for the use of a particular parcel of land at different rates as distance from a market town increased. The result was a pattern of rings around a town in which distance dictated agricultural land use. Some land uses, such as dairy cows, produced a commodity that was heavy to transport, easily perished, and needed on a daily basis.

Under these circumstances this land use would “bid” a high price for land close to the market center, but this would rapidly fall away since beyond a certain distance it would not be possible to transport the milk to the market without it spoiling.

Agricultural crops, on the other hand, yielded less daily income from a given area of land, and would only require seasonal transportation. They would thus bid less for land near the center, but could continue at much greater distances (described by a “bid-rent curve,” Figure 1.2a). Once a variety of products were assessed in this way, von Thünen showed that a pattern of concentric land use rings would result around the market center, all calculated based on the transport cost of the products (Figure 1.2a). This model made a variety of assumptions – for example, that transport costs were directly proportional to distance, that the landscape, soil fertility, etc. were uniform in all directions, and that there was only one market center for agricultural products.

Obviously, the pattern would begin to get more complicated once these assumptions were relaxed (Figure 1.2b). If we think about contemporary food systems, in which for example Eastern Canada is supplied with fresh salad from California, Mexico, and other places, von Thünen’s scheme begins to look very dated. Nevertheless, the model does capture the essence of how the costs associated with distance can affect the spatial structure of economic activity.

Although our technological ability to overcome some of these distances greatly expands the size of the “circles,” a similar calculation is still being made. Another context in which bid-rent curves have been applied is in the urban setting, where prices and land use patterns (e.g., of office, commercial, residential, or industrial activities) are often directly related to their distance from a central business district.



Nevertheless, location is still surprisingly important even for internet applications, and several examples illustrate this point. First, Facebook's business is based on selling advertising space. This advertising is targeted, including by geographical area, so that the ads that users see on their Facebook pages will generally be those that relate to services or products in their immediate geographical area.