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Geography and Economy

ALLEN J. SCOTT

The Clarendon Lectures in Geography and Environmental Studies

CLARENDON LECTURES IN GEOGRAPHY AND ENVIRONMENTAL STUDIES

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Three Lectures

ALLEN J. SCOTT

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PROEM

The three chapters that follow form the basis of the Clarendon Lectures in Geography and Environmental Studies that I was privileged to present at the School of Geography and the Environment, Oxford University, over the period 4–6 May, 2005.

Since I have never before been involved in a public lecture series quite as ambitious as this one, I was at the outset puzzled about what the subject of these addresses should be, and in what style I should present them. Should they focus on cutting-edge research results? Should they be pedagogic, like glorified undergraduate lectures? Should they somehow represent my own attempt to come to terms with the debates that continually rage throughout the field of economic geography? In the end, I have settled for a compromise solution that attempts to combine something of all three approaches while at the same time allowing myself the luxury of trying to re-express and update a number of theoretical ideas that have preoccupied me over the last couple of decades.

Geography and Economy is not a book that attempts to explore the entire terrain opened up by the ambitious programmatic promise that its title may seem to signify. I have sought, rather, to focus the argument on what I take to be some burning theoretical and practical questions at the present time, and to explore these at the juncture where geography and economy meet. The concomitant points of emphasis, each of which occupies a chapter in what follows, revolve around

(a) the division of labour and the ways in which it intertwines with locational outcomes at every scale of analysis;
(b) the creative field, which is to be understood as a grid of spatial relationships that functions as a powerful stimulus of entrepreneurship and innovation; and
(c) the regional bases of economic take-off and development.

These three sets of issues, all of which are intimately interrelated, strike me as providing the strong points from which so many of the other big issues of modern economic geography can be fruitfully attacked. They are certainly fundamental to any effort to decipher the structure and dynamics of the economic landscape, and how the landscape, in its turn, moulds the temper and performance of capitalism in different places.

To begin with, the division of labour is one of the primary factors underlying the spatial differentiation of modern society. An older school of thought in geography was much concerned with the physical and environmental conditions giving rise to variations in modes of life from one place to another. In contemporary society, these conditions still play an important role. Increasingly, however, they are being overridden by a more powerful principle of differentiation rooted in the endless fragmentation and recomposition of labour tasks and production activities in capitalism, and which, in combination with ever-improving technologies of transport and communication, induces continual shifts in locational forces and outcomes. In this process, geography does not become less significant, as some theorists of globalization have asserted; on the contrary, its significance continues to grow. Specifically, the changing structural bases of production and exchange make it possible for firms increasingly to exploit more and more finely grained spatial opportunities for turning a profit. Additionally, as the division of labour proceeds in any sector, streams of externalities and other contingencies are unleashed, often on a massive scale, and with far-reaching locational consequences. Depending on the sector under investigation—as well as on a host of contextual circumstances—these consequences may be expressed anywhere along a continuum ranging from a dominant pattern of spatial agglomeration on the one side to complete dispersal on the other.

The creative field as I conceive it consists of a web of interacting social and economic phenomena at different locations with determinate effects on entrepreneurship and innovation. I use the term 'determinate' here knowing full well that the long tradition of allergic reactions among geographers to any hint of determinism already casts a pall over my meaning. Rest assured, it is no part of my objective here to resuscitate the spectre of geographical determinism in any of its possible guises. That said, I am firmly of the opinion that we need to rescue geographic work from the hallucinating images of free-floating agency that have made such strong incursions into the literature of recent years. My argument is that the different forms of creativity in the modern economy are indeed expressions of free will, but they are determinate in the specific sense that they respond to and work with opportunities that are always concretely situated in a non-subjective world. In the context of the present discussion, these opportunities as it happens are also deeply intertwined with the functional and spatial characteristics of the division of labour.

These two themes come conspicuously together in Chapter 3, which is focused on a specifically geographical approach to the problem of economic development in low- and middle-income countries. In many respects, this problem trumps all the others in modern economic geography. Any economic geography that is worthy of its name must surely be able to say *something* of practical value about what is perhaps the most outstanding human predicament in the world today, and whose urgency can be pinpointed with a single, simple statistical comment. In brief, the poorer half of the world's population today commands just 14 per cent of global GDP, whereas just 15 per cent of the population commands over half of global GDP. Despite the gravity of this problem, Chapter 3 is in several ways the least satisfactory in the book, largely no doubt because of my own intellectual limitations, but also because geographers and economists hitherto have failed signally to come to terms with so many of the most crucial issues in this domain of investigation. There are, of course, outstanding studies by both geographers and economists on development, many of them referred to in the following pages, and I do not want to overstress my complaint. Even so, I think it fair to say that there has been a degree of simple neglect of this problem. Even where research of high quality has been forthcoming it has seemed in recent years to focus above all on macroeconomic theory at the expense of a number of other critical issues, in abstraction from which macroeconomics is just a house of cards. I have tried to push the analysis forward by formulating these issues in terms of what I call *development on the ground*, which is shorthand for the claim that economic development actually proceeds in significant ways via the emergence of urban and regional complexes of productive activity that function concretely as the basic engines of accelerated growth. Above all, I attempt in these pages to draw on the spirit of classical development theory as it was formulated in the 1940s and 1950s, and to show how it takes on new meaning and relevance when recast in terms of modern ideas about the regional foundations of economic activity.

Throughout these three chapters, I am concerned not only to provide meaningful technical analysis of the problems at hand but also to explore some of their wider policy implications. I have therefore been at pains to point out what I think are some of the more fruitful lessons that policy-makers can learn from the discussion. This exercise has compelled me to rehearse once again a number of the basic arguments for and against markets versus policy in the sphere of the economy. The upshot is that I am convinced more than ever that those who argue for a maximum of market organization and a minimum of policy action are deeply mistaken, especially in regard to issues of economic development. Almost any brief encounter with the predicaments of less developed regions and countries should be sufficient, I would think, to persuade any normal individual of the idea that what President Ronald Reagan used to call 'the magic of the market' is vastly overblown. Moreover, not the least of the problems with this highly ideological appeal to the universal efficacy of markets is that for many conscientious individuals it actively undermines their ability or willingness to arrive at a reasonable appreciation of the benefits that markets actually bring to modern society. Surely we can come to a sensible assessment of these benefits while still acknowledging the need for rectification of the widespread social inequalities and irrationalities that are endemic to competitive economies, not to mention the imperative of public regulation of the numerous technical failures of market systems in practice. To balance the books here, I suppose I should remark that there are, of course, many opportunities for policy failure, though it is also pretty clear, given the current ideological onslaught by free marketeers, libertarians, neoliberals, and neoconservatives throughout the advanced capitalist world, that any such warning is superfluous.

I am conscious as I make these remarks that numerous geographers are going to find them unduly focused on economic issues at the expense of many other kinds of social questions, while no doubt a vast majority of economists will feel that they presage yet another series of dogmatic and uninformed attacks on their discipline. To the former my reply is only that while I have been silent on a great many social, cultural, and political issues that intersect with my themes, I have also tried to leave the discussion open on these fronts, though I would balk at some of the extreme reformulations of economic geography that have been proposed under the banner of the so-called cultural turn. To the latter, my appeal must first of all consist of an apologetic admission of my own incapacity to refine my arguments down to their central, logical essentials, but it comprises second of all an invitation to consider the possibility that many useful and important theoretical statements can be made directly and simply in reasonably standard language. Even some of my economist friends (unrepentant quantifiers, at that) complain that they frequently cannot decipher the baroque exercises in mathematical elaboration that pass for being the alpha and omega of respectable discourse in the discipline. For all that, I look forward with anticipation to further research that will enable us to distil the basic issues of geography and economy, as I conceive them, into much more concise analytical language, and that will help us to resolve many of the ambiguities that continue to plague the field. I ought, no doubt, to say something more here about the cultural turn, and add a few remarks about what professional economists increasingly refer to as 'the new geographical economics'. However, I have already tried to come to terms with these different advocacies in a lengthy statement published recently in the *Journal of Economic Geography*, and I refer the interested reader to this piece for further commentary.

In preparation for the writing of these lectures, I have reviewed and re-reviewed an enormous amount of published literature from a wide variety of disciplines. George Eliot says somewhere in *Romola* that 'scholarship is a system of licensed robbery', and the present volume is no exception to this principle. The copious list of references provided at the end of the book bears testimony to this work of pilfering. One of the peculiarities of this literature is that despite its multidisciplinary character it frequently displays symptoms of extraordinary intellectual provincialism, as manifest in the tendency of many authors to acknowledge the research results of only their most immediate circle of academic peers, and only the most recently published results at that. In fact, the central ideas that circulate in this literature have a long and distinguished history, and a great deal of the relevant writing in academic books and journals today picks up on refrains that have their roots in work that was carried out at a much earlier time. I am not referring here simply to such obvious precursors as Smith, Ricardo, Marx, and Marshall, but to dozens of others in the nineteenth and twentieth centuries who have toiled in various ways in this particular vineyard, but now seem largely to be forgotten. A small part of what follows, therefore, entails an attempt to reconstruct something of this lost tradition, and I offer no excuses for the occasional historiographic commentaries and digressions that are scattered through the text, and especially through Chapter 1.

Chapter 2 of this book is an edited version of a paper that originally appeared in *Small Business Economics*. I thank the editors and publisher of this journal for allowing me to reproduce much of the paper here.

In addition, I want to express my gratitude to my hosts in Oxford: Anne Ashby (of Oxford University Press), Gordon

Clark, and Linda McDowell (both of the School of Geography and the Environment). The generous hospitality, friendship, and intellectual camaraderie shown by these and the many other individuals whom I met during my all-too-brief stay ensured that what might well have turned into a series of dry sermons became instead an occasion of genuine human encounter.

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Geography and the Division of Labour

1.1 INTRODUCTION

The concept of the division of labour in production has a long genealogy stretching back to the seventeenth century and before, and it recurs repeatedly in the writings of economists and other social theorists down to the present time. In economics, the concept plays a major role in studies of industrial organization, productivity, and trade. In sociology, it has been of major significance as the linchpin of the distinction first proposed by Durkheim (1893) between mechanical and organic solidarity in society. More recently, sociologists have also made considerable use of the concept in studies of the ways in which the division of labour is intertwined with phenomena like race, class, and gender (e.g. Mies 1998; Waldinger and Bozorgmehr 1996). Over the last couple of decades, geographers, too, have made numerous forays into questions of the division of labour and much research has been accomplished on how it ramifies with various kinds of spatial and locational outcomes (Massey 1984; Sayer and Walker 1992). In brief, the concept is of much importance in a wide range of investigations of social structure and dynamics, and it appears to be enjoying something of a renaissance at the present time as social scientists discover or rediscover how profoundly it ramifies with all aspects of modern life.

For geographers, the division of labour has special interest and meaning because, in its role as a mechanism of economic and social differentiation, it is also a fundamental factor in moulding the economic landscape. A peasant society with only weakly developed divisions of labour is not likely to evince much in the way of spatial differentiation except as a function of dissimilarities from place to place in agricultural potentials (themselves related to such variables as soil, climate, and topography). By contrast, economically advanced societies with deep and wide divisions of labour, as in the case of the United States today, exhibit enormous degrees of spatial variation. With the passage of time, moreover, less and less of this variation seems to bear any relationship whatever to underlying conditions of physical geography. In contemporary capitalism, the geography of the world economy as a whole is evidently set on course for eventual reconstruction as an integrated system of differentiated locations based on little more than functional divisions of labour and the ways in which they mould the competitive advantages of different places. Notwithstanding the impediments that stand before the full accomplishment of this ultimate scenario, the history of capitalism hitherto is one in which the division of labour has proceeded, irregularly but definitely, to ever more finely grained locational expression, and to ever wider geographic articulation in a system of production whose limit is in the end nothing less than global. This general process has not meant that the end of geography is in sight, as observers like Cairncross (1997) and O'Brien (1992) have suggested. Rather, the relevance and significance of geography have, if anything, increased. So far from being dissolved away in this process, the economic contrasts between different places have consistently been strengthened by it.

1.2 CLASSICAL POLITICAL ECONOMY AND THE DIVISION OF LABOUR

The modern concept of the division of labour can be traced directly back to Adam Smith (1776/1965). Although Smith did not invent the concept, he was the first to provide an extended and coherent description of the logic governing the fragmentation of work and its relation to market competition. Smith proposes that even in so 'trifling' a case as pin manufacture, a division of labour will tend to materialize, providing that the market is large enough to keep each active worker in full-time employment.

Smith describes the eighteen or so specialized operations carried out in the pin manufactories of his day in terms of such tasks as drawing wire, straightening and cutting the wire, making points, adding heads, tempering, tin-plating, and so on. Each increase in the division of labour brings corresponding increases in output per worker. Smith remarks, in particular, on the vastly superior productivity of the pin manufactory over that of the traditional craftsworker (who makes whole pins from beginning to end). This superior productivity flows from several sources: from the simplification of the tasks to be carried out, from reductions in work set-up times, and from improvements in the capacity of managers to supervise and control the pace of work. Furthermore, extensions of the division of labour tend to result in relative deskilling, thus enabling employers to substitute detail workers for skilled artisans, and thereby to decrease the burden of the wages bill in total production costs. In a more long-run perspective, the division of labour also helps to promote mechanization of production processes, for as it unfolds, it reveals hitherto unsuspected potentials for the substitution of capital for labour in production, including possibilities for general automation of the assembly line. However, at some stage, as Robinson (1931) points out, technological change may result in the *resynthesis* of production processes (with all pin-making tasks, for example, now being subsumed in a single machine), hence establishing an entirely new trajectory of technological and organizational evolution in the sector concerned.

Smith (1776/1965: 17) is at particular pains to declare that 'the division of labour is limited by the extent of the market'. His meaning here is that efficiency in task fragmentation and