An introduction to geographical economics: Trade, location and growth
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Book reviews

An Introduction to Geographical Economics:
Trade, Location and Growth
Steven Brakman, Harry Garretsen, and Charles van Marrewijk
Price: £22.95 (hardback)

What’s in a name? Quite a lot if we follow the debates surrounding the revitalizing of economics to allow for space over the past decade. The ‘new’ economic geography was criticized by economic geographers, firmly based in geography, for being neither new nor well based in existing economic geography. In their substantial synthesis of this work Fujita, Krugman, and Venables (1999) revert to the more neutral title of The Spatial Economy. In this new book which aims to cover much of the same ground Steven Brakman, Harry Garretsen, and Charles van Marrewijk have opted for Geographical Economics, arguing that their prime purpose is ‘to put more geography into economics’. This is a laudable aim, and one with which this reviewer is fully in sympathy, although I am not sure that the change of name will do much to satisfy the sterner critics. For these it is the perceived limitations of the methodology of economics: reliance on functioning markets, full employment and equilibrium, even with the allowance for increasing returns and the recognition of instability which has revitalized this area of the subject, that is the main area of criticism. The content will also be seen as falling short. There is perhaps not quite enough recognition of the imperfections of the real world to mollify the sceptic, although, to be fair, this is to some extent lost in the language of conventional economics. This then remains a book for the converted.

What sort of students are likely to use such a book? The authors here suggest in the subtitle that it is those interested in trade, location and growth, but they make a strong plea for a reversion to Ohlin’s (1933) concept of the link between regional and international economics. Clearly there is much in here that is relevant to students of international economics, industrial economics and, perhaps most directly, regional and urban economics. Whether it can satisfy any one of these groups fully is much more debatable and, although it would be perfectly possible to construct a ‘geographical economics’ course around this book, that would seem to defeat the objective of bringing geography into mainstream economics by leaving it in a curious parallel universe. The bridge which the new spatial economics has to cross is the one which sees it as being as routine a part of any mainstream economics course as growth, that is an intrinsic part of the way the economy works and without which the analysis is incomplete. This is not just because it is an important practical extension, but because the insights of the spatial approach (imperfect competition, increasing returns, non-costless transport, etc.) make a major contribution to understanding the way the economy works. The spatial dimension is not just an optional add-on, but an integrated part of the whole. This book has a unity which is valuable, but it does not start to cross the bridge. What it certainly will not do is bring geographers, and others interested in the spatial world, into a position where they can use the economic tools which form the basis of this book – it remains above all an economist’s book.

The book is constructed in a logical way. There is an initial overview of the problem at a world scale: population, clustering, trade, and change, and the first chapter sets the tone of the book with examples and data drawn from various sources and simple models estimated on this data. In this we also find another feature of the book, the supporting web site on which the authors have placed most of the data they use in the book and invite the reader to download and use it. The exercises at the end of each chapter use this data and the web site has suggested answers.

Following this scene-setting we have three core chapters which start with the underlying theory, then develop a ‘core model of geographical economics’, before providing basic solutions to/simulations of the model. In the core chapters I found myself veering from agreement to annoyance. I am very sympathetic to the underlying philosophy of this
book, not just the basic proposition of putting space into economics, but also the approach of developing a coherent set of models from assumption through to conclusion. But at times the book seems rather arrogant and at others sloppy. The authors have their own views of the way this should be done and that sometimes makes locating it in the existing literature more difficult. This highlights the tension about whether it is a monograph or a textbook.

The theory chapter starts off in regional and urban economics where the links with traditional location theory can be found. Thus we get basic central place theory (Von Thünen, Weber, Christaller, Lösch) leading to market potential, before moving off into trade theory. But these are theories about locating given activities in space, not about putting space into all economic decisions: where are the forerunners of a more integrated spatial economics, such as Predöhl, Hotelling or Moses? Brakman et al. want to take us down their path and thus steer us away from paths which might make this difficult. In this it is more difficult to use the book as a core urban and regional economics text; compare for example the more thorough way classic location theory is developed in an alternative modern text for such a course by McCann (2001).

On the other hand the authors do go to painstaking lengths to give us a comprehensive account of their approach; there are few places where the reader gets that all too familiar feeling that the author is ducking out of a difficult issue, and this is welcome. The trickier points are dealt with in Technical Notes within the chapters.

Following the introduction and development of the basic model in chapters 2 through 4, chapter 5 starts to introduce some empirical evidence. This is done both on a large spatial scale, for example agglomeration effects in the EU and some more detailed studies, e.g. of wage structures and housing costs. Again much of the evidence is drawn from work by the authors, often involving reproducing models developed by others, but with a degree of consistency that might be difficult to achieve otherwise, although there is a good set of evidence drawn from a selection of key papers.

Chapters 6 through 10 then make a series of extensions to the basic model. Chapter 6 sets the basic scene defining three types of extensions: transport costs and non-neutral space, production structure, and dynamics. These are then used to tackle four specific problems: cities and congestion, globalization, international trade, and economic growth. The cities and congestion chapter is set as a critique of Zipf’s Law on the stability of city size distributions. This is another ‘love it or hate it’ chapter. Based on earlier work of the authors it appears to set out to challenge the regularity of Zipf’s Law. Again there is a lot of useful data, and some fairly thorough discussions of earlier work, but I felt that concern with the law over-dominated the building up of a necessary approach to the workings of the urban economy itself. This is in some respects a useful counter to many texts which tend to look only inside cities rather than considering the overall urban geography of an economy, but perhaps it errs too far the other way. The transport sector within the city is treated in a rather over-simplified way. This chapter would provide a difficult introduction to much of the standard urban economics literature and the links to recent work of authors such as Glaeser is fairly limited.

Chapter 11 is a policy implications and conclusions chapter. The policy implications are not really applied policy implications, but rather hints at how the model could be used, and they tend to show little understanding. For example, the impacts of a bridge example clearly identifies the complexity of the issues, but is hardly a blueprint for a practical application. This chapter also sets out to provide an estimate of the value-added of the geographical economics approach by confronting it with criticisms from other approaches (typically in the form of reviews of the Fujita et al. work). The answer, not surprisingly, is to confirm the value of the approach, but is the justification really needed? There could be argued to be two basic tests of an approach: first is it internally consistent, secondly does it yield useful insights which can be empirically justified and used to inform real-world decisions? This book largely passes these two tests. A textbook, however, has to satisfy a further condition, it has to deal with a wider body of literature in order to develop the critical faculties of those studying the subject. Where there are alternative approaches they have to be evaluated carefully and objectively. In this the book is less satisfactory, it is too much a
polemical monograph. Although well-founded in the literature, it is perhaps rather too eclectic and selective in the way it treats the literature. It also has difficulty in that all too common problem in economics, the level of technical sophistication. The book tries to be thorough and complete, but in so doing it will leave many readers who would otherwise benefit from its insights out in the cold.

It is easy to criticize the balance of such a book, most readers will find it deals less than fully with some pet topic. For this reviewer, the book follows much of the spatial economics literature by failing to allow for a real market in transport. Whereas transport economics has made the error of assuming that the rest of the world is in perfect competition, the simplification of the iceberg model of transport costs in ‘geographical economics’ runs the risk of ignoring the problems which the provision of transport creates. For international trade applications this may not be too serious, but at an intra-regional or even more so at an urban level, where market imperfections abound, it is a serious gap. I also felt that labour markets, although clearly central, were not emphasized as much as they could be: the treatment of migration, for example, is based largely on a ‘world view’ and fails to draw in all the possible implications of mobility between labour markets at all spatial scales.

In conclusion, it will be clear I felt a degree of unease at the end of the book. The authors have done us something of a service in trying to develop a text which does a thorough job of explaining the workings of a spatial economy in a consistent way and I am sure it will appear on many reading lists (including my own), but I still feel a sense of frustration with the book which is difficult to pin down – I would be less happy with it as the sole text, unenlivened by the insights of others. This frustration is somewhere in the interaction of content and style: there is still a need for a text which can develop the insights of geographical economics/new economic geography in the context of a real world spatial economy. And that web site? Fine if sitting by the computer when reading the text and a useful additional resource, but, like much in the book, often rather frustrating.

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References

Industrial Location Economics
Phillip McCann (ed.)
Price: £69.95/$110.00 (hardback)

The authors of this book tackle a subject that has never been easy. Other branches of urban and regional geography have made more rapid progress in the last thirty years – retail and services, transport, residential location, and housing, even models of urban structure. Even though not totally unified, there are theories and models – tools of analysis in these fields – to which researchers can turn. Industrial location (with ‘industry’ usually, but not always, interpreted as ‘manufacturing’) is more diversified in the set of approaches available – often a sign of underdevelopment – and they are less practical. What we have is a reasonably wide-ranging review of what is available. The approach is somewhat narrowed by the ‘economics’ in the title but, since some of the authors are geographers, and the new economic geography figures largely, this is not too restrictive. (Fewer than half of the authors are in Economics Departments.)

The book is divided into three sections: analytical approaches, cities and industrial clusters, and multinational firms and locational behaviour (though there is some overlap between the second and the third). McCann elegantly establishes part of the classical theoretical background building on Weber as developed by Moses. The classical background is completed by Parr, building on central place theory – and demonstrating that that theory is not simply about services but can be used in the context of manufacturing. This is a scholarly chapter which demonstrates the