Progress reports

Geography of services: progress in the geography of services III – time to move on?

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1 Introduction

It is approaching 20 years since Walker’s (1985) excoriating analysis of the, so-called, service society. At the time, it was increasingly becoming the accepted truth that services were becoming the dominant economic form and – in some variants at least – that such changes were part of a ‘natural’ progression from the production of basic human needs to a more sophisticated and complex socio-economic form (for example, Bell, 1973; Stanback, 1979; Gershuny, 1978). Walker subjected this dominant theorization to a devastating Marxist critique which reasserted the role of labour and the value form in economic activity and pointed to the indivisibility of categorizations such as ‘manufacturing’ and ‘services’. As he argued, ‘All goods production requires some labor service inputs and all labor services are produced with the use of goods. Thus an expansion of “health services”, for example, requires more pills and x-ray machines, and is, therefore, by no means a triumph of services over manufacturing’ (1985: 52). Services were, to use the realist terminology of the time, a classic ‘chaotic concept’. Walker’s theme was underlined by Allen (1988) in a critique of the concept of ‘producer services’ – those service outputs that were consumed by businesses as intermediate components of the production system – which geographers had argued were becoming increasingly important components of the economy (Marshall et al., 1988). Allen claimed that producer services was no less a chaotic concept than the idea of ‘services’ as a whole, and that growth within different producer services ‘is the result of markedly different causal processes’ (1988: 20).
II The resilience of services research

Notwithstanding Walker’s and Allen’s critiques, ‘early’ research on the producer services served an important and, in some ways, radical function in highlighting that the geography of the economy was not simply the geography of manufacturing. At a time when economic geographers thought of themselves as industrial geographers and scholarship focused on job loss in manufacturing (Bluestone and Harrison, 1982; Massey and Meegan, 1982), the small group of service geographers pointed to wider economic transformations. While hitherto industrialized countries may be losing jobs in manufacturing, services geographers not only mapped the anatomy of job creation but also attempted to demonstrate that these economic forms were valuable and wealth-creating in their own right.

Yet, in spite of all of this, what is remarkable is the resilience of research based upon this understanding of the economy and the marginalization of both realist analytical reasoning and Marxian theorizing, lamented recently by Harvey in his introduction to *Spaces of hope* (2000). Rather than disappearing from sight, research and scholarship on the services in general – and of specific service industries in particular – has burgeoned. First, there continues to be considerable effort which focuses on understanding and explaining the geography of particular producer services, or the producer services in general. For example, Nunn and Warren (2000) have recently analysed the spatial distribution of employment in computer services; Immergluck (2001) shows how US financial services suburbanized during the 1980s, contributing significantly to central-city employment loss; Rusten (2000) carefully examines the spatial distribution of outsourced business services in Norway; Gong (2001) draws upon two decades of US business-location data to show that producer services have changed their locational attributes and recently decentralized their activities (perhaps because their clients are no longer simply located in central metropolitan areas and perhaps because those same areas became saturated with professional businesses); Bagchi-Sen and Kuechler (2000) examine the competitive strategies and use of networks of small and medium-sized firms in public accountancy in the USA; while Coffey (2000) attempts to summarize the overall geography of producer services.

Second, there is a concern to focus on what could loosely be termed the ‘international dimension’ to the producer services. For example, Roberts (1999) revisits the ways in which business service firms internationalize (echoing in many respects the work of Fujita and Ishigaki, 1986, on the internationalization of banks nearly two decades ago), while Warf (2001) has mapped the expansion of legal services across national borders (see also Bryson, 2001). Furthermore, there is a growing scholarship on the role of the producer services in contributing to the development of global cities in both developing and developed countries. For example, Morshidi (2000) points to the role of producer services in the globalization of Kuala Lumpur and questions whether the development of these industries has been sufficient to support the city’s attempt to become a world city within two decades, while the ‘world cities’ group at Loughborough University explores the place of services in cities in developed countries (for example, Beaverstock and Boardwell, 2000; Beaverstock *et al.*, 2000; Taylor, 2001; Taylor and Walker, 2001; see also Sassen, 2001). Equally, trade is, as Dicken (1994) pointed out some time ago, the ghost at Banquo’s feast for economic geography: while it is of critical importance in a globalizing economy, it remains little remarked upon and poorly understood.
It is therefore a welcome development that O’Connor and Daniels (2001) examine trade in advanced (financial and professional) services and argue that in order to understand the nature of trade in services we should focus both on home and host country conditions. Yet, for me at least, the reading they provide is a little frustrating. Trade in services is one of the most politicized components of the new international order, whether implicitly in the debates at both the GATT and the WTO over intellectual property under the TRIPS agreements (which, until adverse publicity in the west forced a climb-down, allowed pharmaceutical companies to take the South African government to court for violating international law in producing cheap copies of anti-AIDS drugs) or explicitly in the ways in which the western blocs in the WTO have pushed for liberalization of service trade in such a way as would privilege the interests of western service corporations and in the teeth of opposition from many countries of the south.

Third, an interest in fine-tuning the ways in which producer services are measured or defined persists. Yet, while Bryson et al. (1999) draw upon their extensive collective knowledge of services and a particular survey in order to demonstrate the difficulties of assessing the real impact of business-service inputs to company profitability, Wernerhein and Sharpe (1999; 2001) demonstrate with a detailed empirical analysis that producer services constitute a smaller component of the economy than claimed by most advocates. In doing so, their argument on empirical grounds echoes what Allen (1988) and Walker (1985) argued theoretically (Wernerhein and Sharpe, 2001: 580–81):

the term ‘producer services’ is an anachronism. Not because the activity does not exist, but because of the amorphous meaning of the term when used outside and inside the discursive community of service industry researchers. [This] has non-trivial consequences for public policy. It is clear and undisputed that producer services are produced (and consumed) in a large number of diverse industries that behave in quite different ways. Yet the assumptions used in producer service analysis frequently ignore some of the more troublesome implications of this fact.

What is remarkable about this research is that much of it remains strongly wedded to the methodologies and (implicit) conceptual approaches adopted by the pioneers of producer services research in geography. There remain important insights to be gained from further empirical analysis of particular services, particularly when these represent a novel form within the economy. For example, call centres now employ two million people within the UK; represent a significant economic development opportunity for poorer regions (Bristow et al., 2000; Richardson and Belt, 2001; Willis et al., 2001; Richardson et al., 2000), are at the frontiers of managerial control (Taylor and Bain, 2001) and also have more complex geographical and institutional outcomes than the predicted destruction of branch networks (Willis et al., 2001). Yet, with notable exceptions, self-styled research on producer services sometimes fails to make the critical connections with wider theoretical debates in the social sciences or with the societies in which we live. An indication of the potential is to be found in three examples of theoretically informed work which are both deeply imbricated in the services literature and also help to understand wider conceptual debates. First, there is Larner’s (2001) treatment of the New Zealand government’s initiative to attract call centres. While the call centres are at the core of her analysis, Larner uses debates and discourses of globalization in order to understand the phenomenon better and, in turn, adds to our understanding of both governmentality and globalization. Second, Leyshon and Pollard
(2000) draw upon the adoption of technologies by retail banks in order to understand patterns of industrial convergence and the role of path dependence. Third, Martin and Turner (2000) provide a careful, empirically rich but (small p) politically informed analysis of the geographical and social impacts of the demutualization of the building societies in the UK, which maps the loss of power and ownership from the poorer, more peripheral regions of the confederation, and demonstrates that ‘changes in the institutional environment do not necessarily usher in a new stable set of institutional arrangements’ (Martin and Turner, 2000: 237).

III Untangling the structures of contemporary capitalism?

Although high theorizing is intellectually more satisfying than detailed empirical work, it is often only in the detail of a regime or set of processes that we can begin to see the underpinning structures. Laulajainen and Johansson (2000), for example, outline the ways in which even the international payments systems embody a geographic ‘stickiness’ that impacts upon the ease with which money can flow around the world; O’Neill (2001) examines the ways that corporations use financial narratives in order to legitimize – or exclude – particular strategic investment choices; while Arnold and Sikka (2001) draw upon the fallout from the closure of the Bank for Credit and Commerce International to make equivalent claims about the regulation of global firms. Similarly, in a rhetorically compelling and empirically persuasive analysis of the collapse of a Canadian gold-prospecting company, Tsing (1999), an economic anthropologist, explores the interplay between scale, culture and international finance (Tsing, 1999: 119):

Contemporary masters of finance claim not only universal appeal but also a global scale of deployment. What are we to make of these globalist claims, with their millennial whispers of a more total and hegemonic world-making than we have ever known? Neither false ideology nor obvious truth, it seems to me that the globalist claims of finance are also a kind of conjuring of a dramatic performance. In these times of heightened attention to the space and scale of human undertakings, economic projects cannot limit themselves to conjuring at different scales – they must conjure the scales themselves. In this sense, a project that makes us imagine globality in order to see how it might succeed is one kind of ‘scale-making project’ . . . By letting the global appear homogenous, we open the door to its predictability and evolutionary status as the latest stage in macronarratives.

Arguments about the importance of place, space and scale in constituting the global economic and regulatory environments represent something of an axiom within economic geography and should not easily be dismissed. However, with Gordon Clark and Dan Mansfield, I have attempted to show that the genes of the new international ‘financial architecture’ embody Anglo-American, liberalized, practices and understandings of the world which are non-trivially reshaping the financial sectors of even the most powerful economies and beginning to undermine the capacity for regulatory arbitrage (Clark et al., 2001; 2002; Tickell and Clark, 2001; see also Peck and Tickell, 2002; Tickell and Peck, 2002; Abbott and Snidal, 2001; Fujita, 2000). Such developments should not be overstated for at least three reasons: first, because geography still matters profoundly to financial firms and traders (Agnes, 2000; Tickell, 2000); second, because formally similar rule structures may be locally interpreted or policed with different levels of vigour; and, third, because there is a danger of naturalizing the process. However, we must also recognize that international organizations (such as the IMF and
the World Bank) are increasing their regulatory oversight and publicly reporting deviations from internationally agreed standards and codes.

This new financial architecture has developed, of course, in large part as a response to the, so-called, Asian crisis – those catastrophic events which flared up as the ‘tiger economies’ of east and southeast Asia suffered capital flight and financial system crisis after the collapse of the Thai baht in mid-1997. Although interest in the Asian crisis in western countries waned somewhat after it became clear that it would not infect the systemic stability of their financial systems, the crisis proved to be real for the directly afflicted countries and, as a collection of papers in Geoforum (see also Sidaway and Pryke, 2000) demonstrate, enduring. This collection includes some important contributions on the genesis and impacts of the crisis (Kelly et al., 2001; Beaverstock and Doel, 2001; Dixon, 2001; Glassman and Cody, 2001), the contribution of geography to understanding it (Leyshon, 2000) and its impacts on the ‘real’ economy (Edginton and Hayter, 2001; Poon and Thompson, 2001; Webber, 2001) and the people of the region (Park, 2001; Silvey, 2001; Yasmeen, 2001).

In an intriguing analysis, Clark and Wójik (2001) subject the ways in which key intermediaries of ‘soft capitalism’ (Thrift, 1996) in the City of London responded to the Asian crisis, arguing that the overwhelming pessimism of their analysis may reflect the waning of the City’s place at the centre of the discursive world of international finance. In contrast, they show, Wall Street had a much more sanguine take on the crisis which was fuelled, in part, by the brilliance of the ‘Greenspan put’ (Woodward, 2000) and the dot.com boom, which helped to provide the markets with liquidity. Yet, Clark’s and Wójik’s analysis may (with the hindsight of the collapse of the dot-com boom predicted by Shiller, 2000) be a little too sanguine about US equity prices and, consequently, the unfavourable comparison with UK markets may be overdrawn. London is, however, a constantly transforming place where gender identity is used as a managerial tool (McDowell, 2001) and it has travelled a long way since, as Black (2000) shows, nineteenth-century banks constructed a built environment which emphasized power, solidity and permanence in an emergent money economy which was as destabilizing then as the derivatives economy appears to us today.

Although my previous report spent some time considering the work on local currency schemes, there continues to be a considerable body of research which examines these attempts to localize monetary networks (for example, Seyfang, 2001a; Williams and Windebank, 2001a; 2001b; Aldridge et al., 2001). At its best, such research sensitizes us to the ways in which a globalizing world is not a homogenizing one and underlines the political nature of our readings. Yet, for me, research on alternative monies is sometimes characterized more by political advocacy than by careful analysis, although, to be fair, some of the more grandiose claims made earlier are now tempered by a recognition that the economic possibilities of LETS may be limited (Seyfang, 2001b: 994):

> There is a danger that the … LETS might be inappropriately linked to conventional economic outcomes and indicators. This would inevitably result in disappointment … and we must seek to measure the intangible processes, as well as the concrete outcomes, in terms of social, ethical, equitable, and environmental, as well as economic, indicators’.

However, two features of such schemes may act as a brake on their potential. First, many of the goods and services people consume are not localized and, therefore, less
amenable to local trading. Second, a significant proportion of schemes are dominated by committed middle-class activists whose capacity to trade their labour is limited by either the demand for their services or the abstract nature of their skills.\textsuperscript{3}

If the conventional financial system is unlikely to be overly troubled by alternative currencies, Li \textit{et al.} (2001) explore the capacity for banks aimed at particular ethnic minorities, and whose networks are internationalized in quite different ways to the conventional international bank, to help overcome financial exclusion. Focusing on the extraordinary growth of ethnically Chinese banks in Los Angeles, Li \textit{et al.} show that such banks have a particular niche which may be effectively exploited, but that this niche is precarious, not easily replicable and may not have the capacity to overcome financial exclusion.

\textbf{IV Services and the cultural economy}

In an important set of contributions, Scott (1997; 1999a; 1999b; 2000a; see also Storper and Christopherson, 1987; Blaug, 2001; Ellger, 2001) has shown that the cultural economy is both increasingly important to cities and subject to Marshallian agglomeration tendencies. The production of cultural goods and services\textsuperscript{4} is premised upon dense interfirm transactions, fluid labour markets and the emergence of a cultural economic ‘atmosphere’ which ‘not only enhance[s] system efficiency but also creativity’ (Scott, 1999a: 811) which further underscores agglomeration in the industry. Yet agglomeration and continuity are also underscored by processes of social regulation (see also Kong, 2000). In the USA, where overt government regulation is ideologically proscribed (if only discursively), such social regulation is provided by industry associations, whereas Scott shows that the French film industry survives by dint of \textit{dirigiste} restraints on foreign-language movies which may become increasingly untenable in a world dominated by US movie conglomerates and governed by agreements that stipulate the (relatively) free movement of ideas. Although Scott’s work is recognized as significant, Henriques and Thiel (2000) argue that Scott’s focus on important world cities such as Los Angeles and Paris means that he mis-specifies the role of culture in a globalizing world (Henriques and Thiel, 2000: 265):

\begin{quote}
In theoretical terms, perhaps the most striking argument is based upon the non-linearity of cultural production and consumption, which seriously challenges Scott’s idea of a local-global dualism… [However], culture actually hinders rather than fosters globalization, thereby shaping the global distribution process from two directions.
\end{quote}

(See also Barnett, 2001a; 2001b; Nylund, 2001; and, more generally, Sayer, 1999; Gregson \textit{et al.}, 2001.) Although here there are, in reality, differences of nuance rather than substance, Scott (2001) has recently revisited these issues and concluded that, after an initial period of product standardization and centralizations, the cultural economy is becoming polycentric and more differentiated. Furthermore, empirical research on other cities beyond the core metropoles, such as Coe’s (2000; 2001) accounts of the Vancouver film industry or Banks \textit{et al.}’s (2000) exploration of Manchester’s cultural industries, tends to underpin Scott’s conceptual account.
V Conclusion

The resilience of research on the service economy is testament to the degree to which our understanding of the world in which we live in has developed and has meant that the task of the author of these progress reports appears, to this hack at least, an impossible one. Furthermore, the editors of Progress have responded to the transformation of the economy by commissioning an annual review on the geography of one aspect of the service sector: retailing and consumption (Crewe; 2000; 2001), while my predecessor reviewer concentrated on the geography of financial services. Inevitably, in my three reviews I have not had space to be completely comprehensive and have tried to focus thematically. This means that I have missed out on important and intriguing contributions, such as: Desforges’ (2001) engagement with tourism consumption; Leyshon’s (2001) analysis of the effect that digitization of music – and its delivery through the internet – has on the music industry; French’s (2000) excellent account of the economic geography of knowledge in life assurance markets; or Pratt’s (2000) demonstration that even new, web-based, media – the most weightless industries in the ‘weightless economy’ (of Coyle’s, 1998, imagination) – are deeply embedded in particular spaces.

One possible reading of the service sector would be to accept not only that it is the dominant portion of the economy, but also that it really is too diverse sensibly to review and summarize. Yet such a conclusion would be a mistake, even if we do accept that the task is an impossible one. Some of the most innovative and exciting work in economic geography happens to explore Walker’s chaotic concept even if, at times, it could benefit from taking theorizations of the political-economic and cultural more seriously.

Notes

1. For example, the names of the economic geography speciality groups of both the American and British learned societies were focused on industrial geography until as recently the mid-1990s.
2. TRIPS: Trade-related aspects of intellectual property rights.
3. For example, the Madison Hours scheme, which has been in operation since the mid-1990s, has a listings magazine detailing requested and offered trades. While there is a surfeit of childcare, psychotherapy, healing, library searches and computer training on offer, members appear to want carpenters, material goods (a bike and a car), household cleaning, Slavic language instruction and tax advice (Madison Hours, 2001).
4. Again, research on the cultural economy simply underscores the difficulties associated with making distinctions between goods and services production.

References


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