

Capital and Space

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Motivation

Despite significant theoretical musing and sustained policy intervention, the reality of uneven economic activity over space remains poorly understood and consequent problems poorly remediated.

Synopsis

Critique of existing understanding of economics & space

Alternative theoretical framework

Some testable (?) hypotheses

Conclusions

Figure 15.7 a, b, c

Isard's principle of substitution

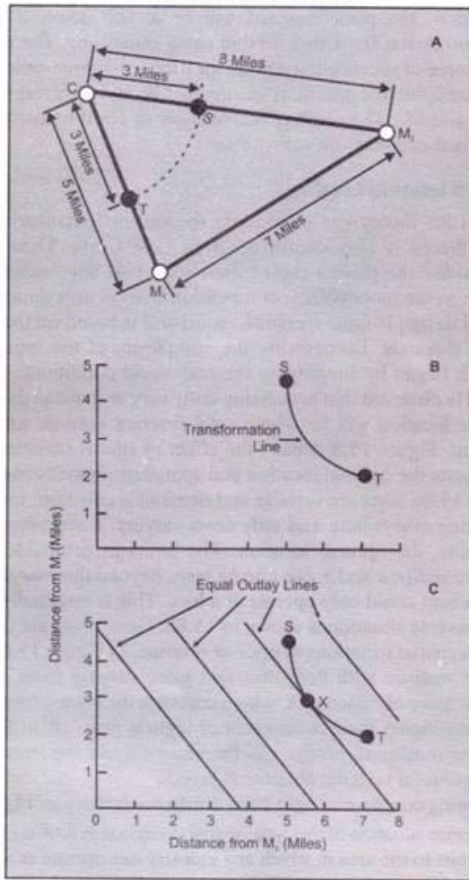


Figure 15.6

Development of market areas from circular to hexagonal

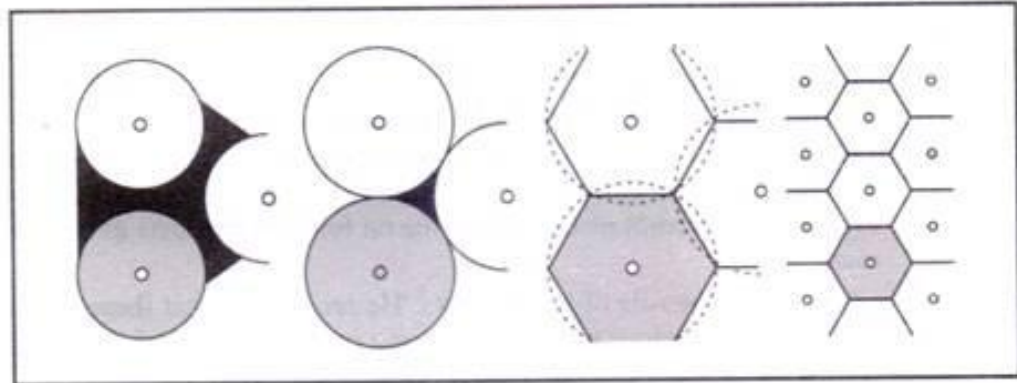
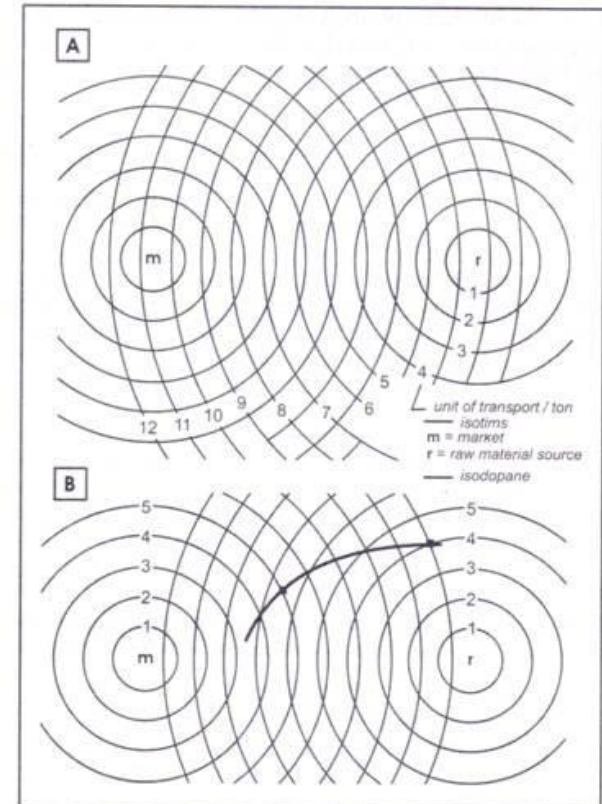


Figure 15.4 a, b

Isotims and isodapanes as described by Weber

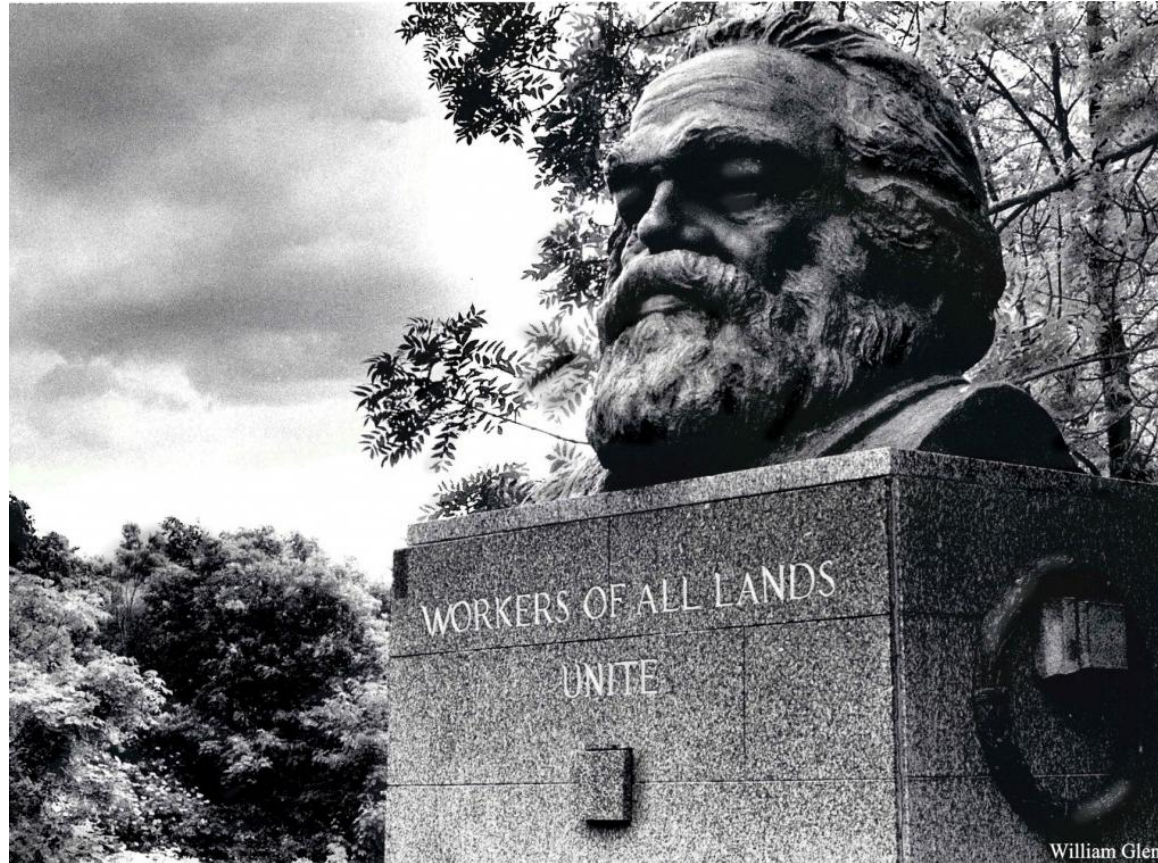


Critique

Theories of regional (& national) development are focused on:

1. **primarily** internal resources – labour, skills, natural resources... & application of same
2. **secondarily** economic interactions across space – trade, economic migration, capital flows

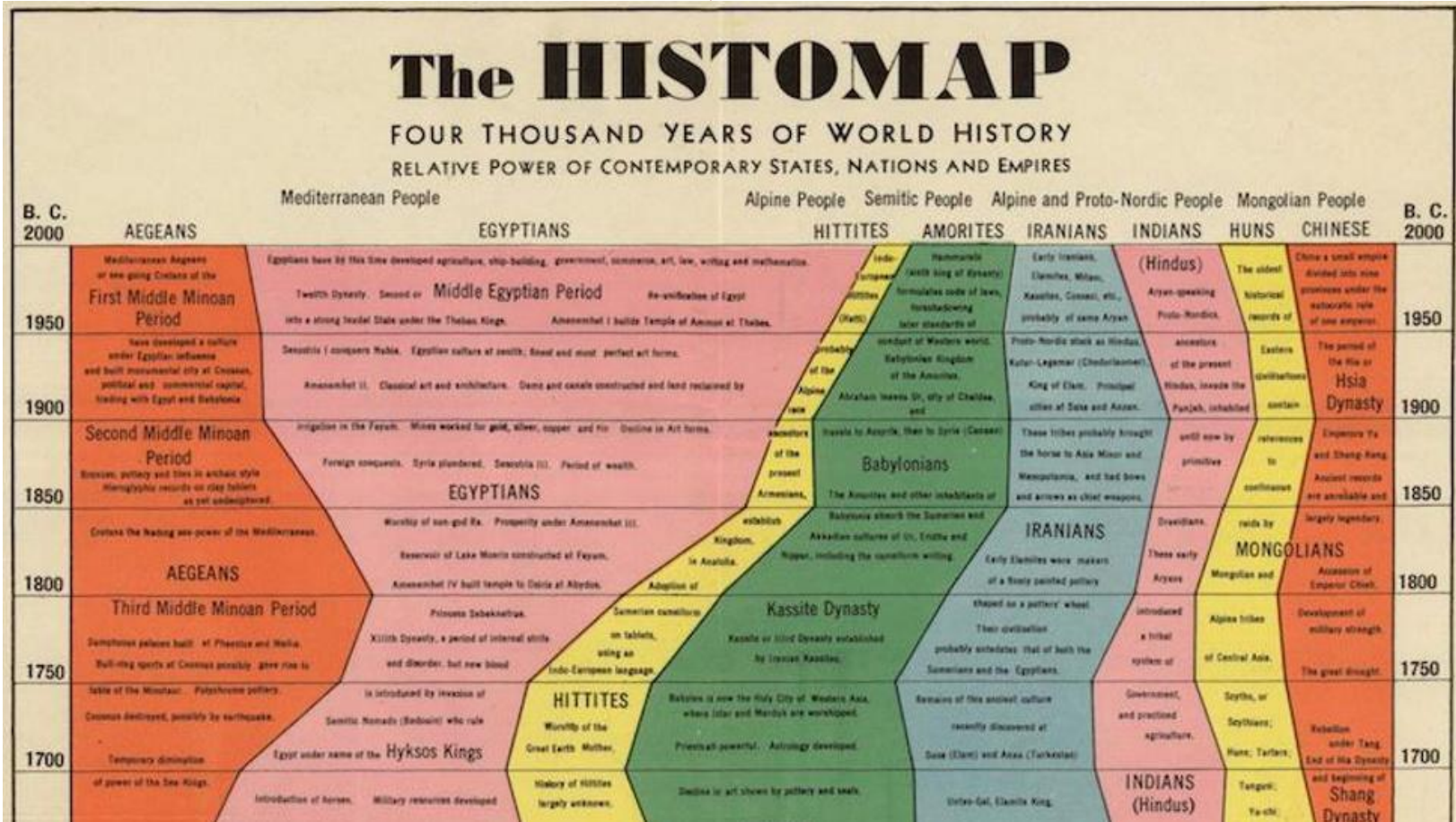
Weber, Losch, Leontief, Myrdal, Porter, Cooke & Morgan...



Critique

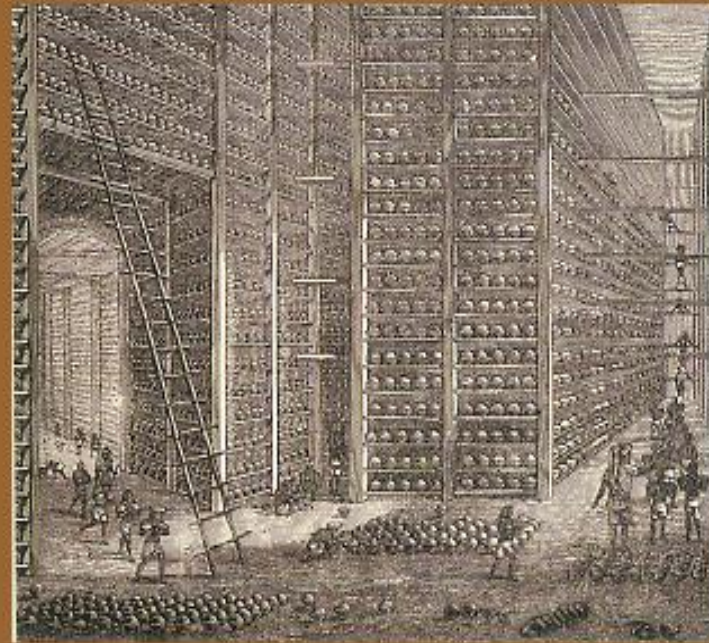
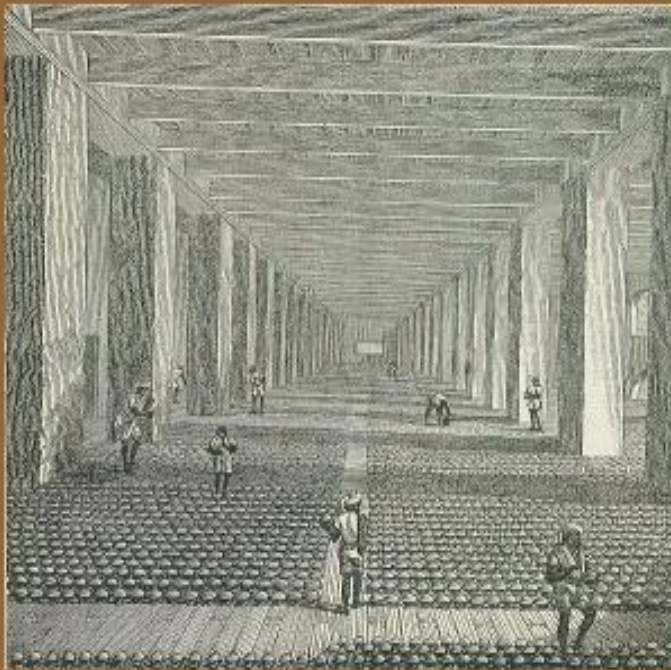
Theoretical understandings or regional development and growth are implicitly built on understanding of capital inherited from 'mainstream' economics

rational, opportunity seeking, mobile, asocial, ahistorical, aspatial



Contention

Place development prospects are deeply contingent on pre-existing, sustained power relationships that exist over geographic and cultural space. Economic relationships between places are the second-order exemplification of these power relationships

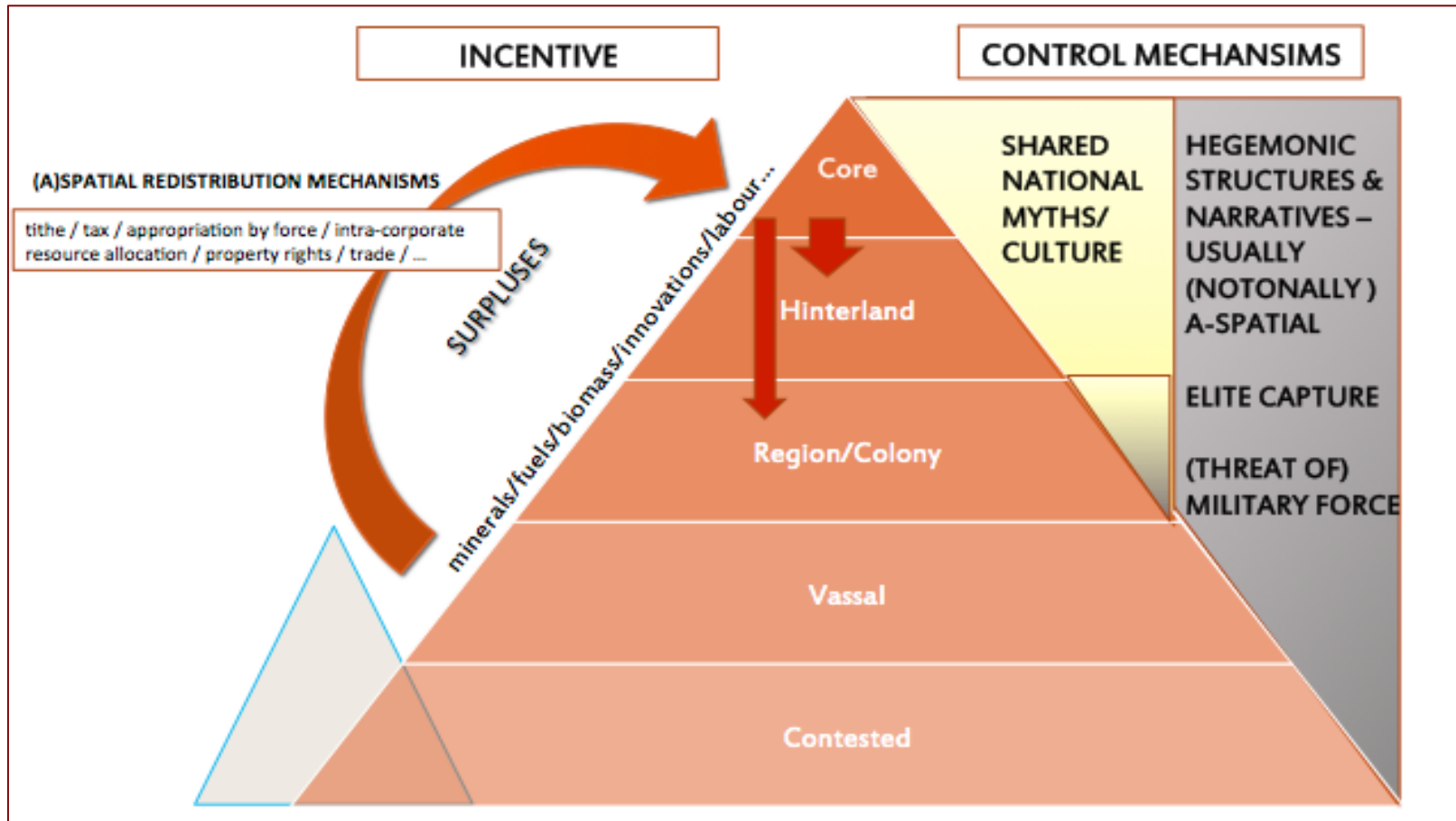


"The Indo-Chinese Opium Trade: Notes at an Opium Factory at Patna."
These illustrations are remarkable in the depiction of the magnitude of the opium industry.
One the left is "The Drying Room"; on the right is "The Stacking Room."

Source: drawings by Lieut.-Colonel Walter S. Sherwill, *The Graphic*, 24 June 1882, p. 640.

Contention

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Framework

Nations and regions exist within long-enduring spatial hierarchies that extract surplus across extended geographic space to the benefit of the hegemonic city-region core.

The economics of **space** is the economics of **empire**

Hypotheses?

(H1) Capitals are not only unevenly allocated across space, but also differ in terms of their nature and their influence on regional welfare

(H2) Capital (of varying forms) has an asymmetric relationship with physical space – it adheres wealthy places (in the long term) but is not fixed in poor places, even if it originates there

(H3) We cannot understand regional prosperity without distinguishing the stock of capital from the flow of services arising as these elements relate differently to space

(H4) A dominant but under-researched form of capital G, dominates and shapes the nature and influence of L, N and K on regional outcomes

(H5) The hegemonic core seeks to maximise surpluses flowing to centre within the constraint of ensuring continued dominance

(H1) Capitals are not only unevenly allocated across space, but also differ in terms of their nature and their influence on regional welfare

Regional division of capital & autonomy. Drug dealing v Arms dealing. Community v commerce.

(H2) Capital (of varying forms) has an asymmetric relationship with physical space – it adheres wealthy places (in the long term) but is not fixed in poor places, even if it originates there

Inter-regional economic migration. M&A activity. Commercialisation of R&D

(H3) We cannot understand regional prosperity without distinguishing the **stock** of capital from the **flow of services** arising, as these elements relate differently to space

Diminishing returns to Labour v Capital. Worse in K intense resource/energy peripheries.

(H4) A dominant but under-researched form of capital G, dominates and shapes the nature and influence of L, N and K on regional outcomes

Cost of capital & investment

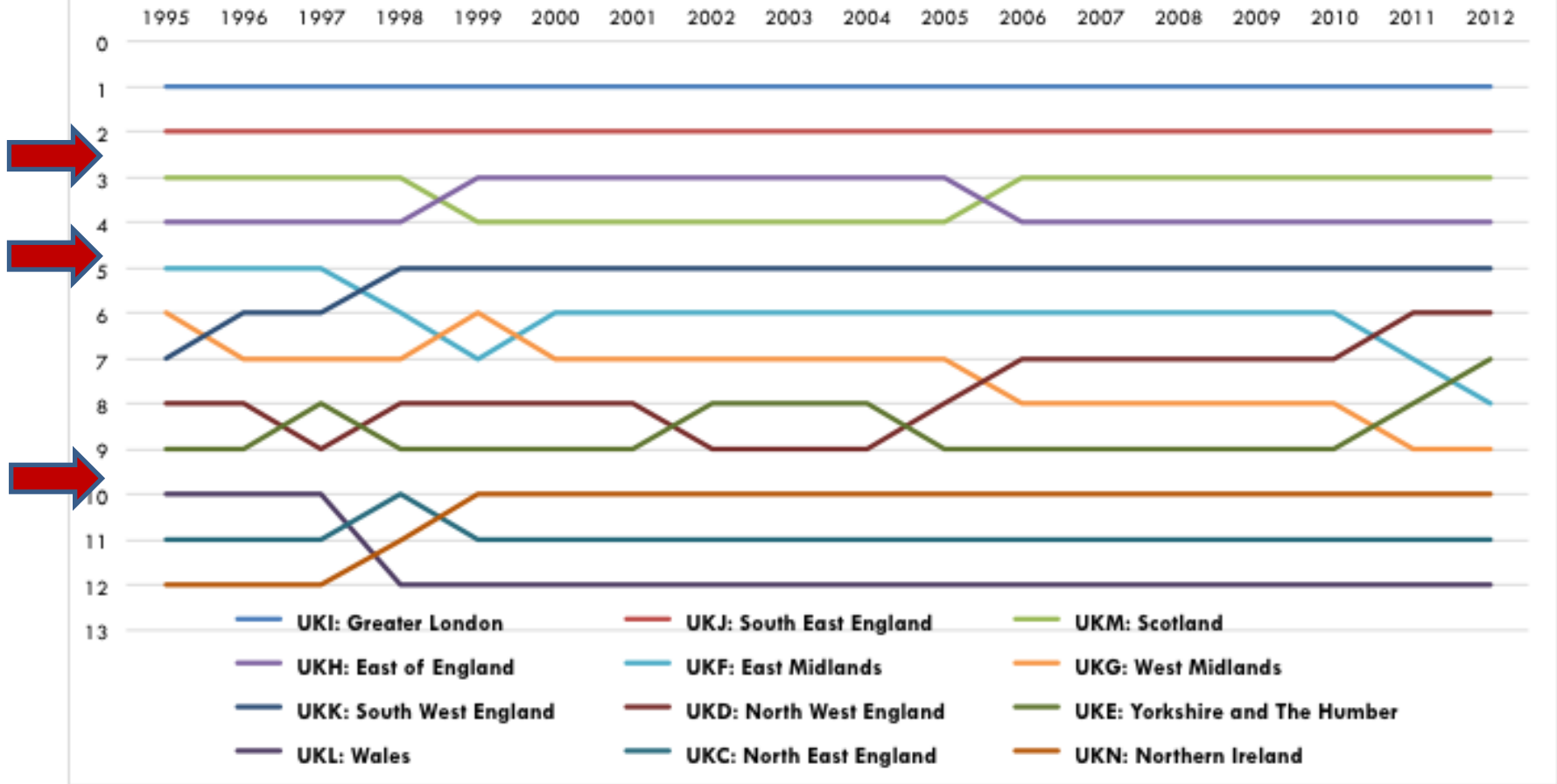
Price commanded by productive factors (de-unionisation; zero hours; barristers v steelworkers)

Limits of socialisation/protection of specific sectors and occupations

Limits of spatial/regional economic autonomy (e.g. energy)

What is (regionally) tradable - see UK Parliament Govt of Wales Act, 1998

GVA per Capita Ranking - UK 1995-2012



H5

The hegemonic core seeks to maximise surpluses flowing to centre within the constraint of ensuring continued dominance

Implications

The ordinal position of a region in the hegemonic hierarchy has far more importance for long run prospect of sustainable, endogenous prosperity than any convergence (or otherwise) in GDP/capita

Political power relationships between places and the extent of dominance (ob: credible threat) determine outcomes (c.f Scotland, Jacobean and Salmondian)

Trying to diagnose & ameliorate the 'regional condition' by studying economic structures of regions a-historically or a-politically is problematic.

Interventions that do not recognize asymmetric relationship between places, and between capital and space are doomed to fail

The formalisation of common sense?

$$RP_i = f(L_i, K_i, l_i \dots)$$

$L_i, K_i, l_i \dots = f(RP_i)$



Thanks for listening 😊

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<http://bit.ly/capitalspace>

<http://bit.ly/smellcoffee>