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Rebalancing the Spatial Economy: The Challenge for Regional Theory

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ABSTRACT

In response to the crisis of 2008 and deep recession that followed, the UK government assigned key importance to the need to 'spatially rebalance' the economy, to reduce its dependence on London and the South East by 'powering up' northern cities. This paper argues that the UK's problem of spatial economic imbalance is in fact a long-standing one, the very persistence of which raises key issues for our theories of regional development and policy. It argues that neither the new spatial economics, with its obsession with agglomeration, nor regional studies, with its plethora of concepts and paradigms but lack of integration and synthesis, offers a particularly convincing basis for devising policies capable of redressing the spatial imbalance in the UK's economic landscape.

Extracto

En réponse à la crise de 2008 et au marasme économique qui a suivi, le gouvernement du R-U a attaché une importance capitale à la nécessité de 'rééquilibrer spatialement' l'économie, de réduire sa dépendance à l'égard de Londres et du Sud-Est en rendant les grandes villes situées dans le nord du pays des 'forces motrices'. Ce présent article affirme que le problème du déséquilibre économique spatial au R-U est en fait un problème de longue date, dont la persistence même soulève des questions clés en ce qui concerne les théories d'aménagement du territoire et de politique régionale. On affirme que ni la nouvelle économie spatiale, qui est obsédée par la notion d'agglomération, ni les études régionales, fortes de leur multitude de notions et de paradigmes, mais faisant défaut d'intégration et de synthèse, ne fournissent de base particulièrement convaincante pour l'élaboration des politiques susceptibles de rééquilibrer le territoire économique au R-U.

En 2008, en respuesta a la crisis de 2008 seguida por una profunda recesión, el Gobierno británico consideró que era sumamente importante 'reequilibrar espacialmente' la economía fortaleciendo las ciudades del norte del país con la finalidad de reducir la dependencia de Londres y la región sudeste. En este artículo se argumenta que el problema británico del desequilibrio económico espacial viene de largo y su persistencia plantea cuestiones fundamentales para nuestras teorías de desarrollo y política regionales. Se sostiene que ni las nuevas economías espaciales, con su obsesión por la aglomeración, ni los estudios regionales, con su pléthora de conceptos y paradigmas, pero sin integración ni síntesis, ofrecen una base especialmente convincente para crear políticas capaces de corregir el desequilibrio espacial en el escenario económico del Reino Unido.

Résumé

En respuesta a la crisis de 2008 seguido por una profunda recesión, el Gobierno británico consideró que era sumamente importante 'reequilibrar espacialmente' la economía fortaleciendo las ciudades del norte del país con la finalidad de reducir la dependencia de Londres y la región sudeste. En este artículo se argumenta que el problema británico del desequilibrio económico espacial viene de largo y su persistencia plantea cuestiones fundamentales para nuestras teorías de desarrollo y política regionales. Se sostiene que ni las nuevas economías espaciales, con su obsesión por la aglomeración, ni los estudios regionales, con su pléthora de conceptos y paradigmas, pero sin integración ni síntesis, ofrecen una base especialmente convincente para crear políticas capaces de corregir el desequilibrio espacial en el escenario económico del Reino Unido.

Keywords:

economic

geography

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regional development

public policy

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This is a revised version of an Invited Opening Plenary Paper given at the Regional Studies Association Winter Conference on Sustainable Recovery? Rebalancing, Growth and the Space Economy, London, 27–28 November, 2014. The invitation encouraged me to be provocative and to raise issues that might stimulate debate more widely across the conference. This I tried to do. To that end, the paper is deliberately discursive in nature, and is not intended to be a closely argued piece of empirical analysis or theoretical exegesis, but rather retains the more open style in which it was originally delivered. I am grateful to the Regional Studies Association for the invitation to present the paper, and for the various responses I received from participants at and after that event. I also wish to thank Harry Garretsen (Groningen University), who looked particularly at my comments on the new spatial economics. In addition, two referees provided insightful comments which helped to sharpen the paper. To have responded to the issues they raised in detail would have required an even longer paper – indeed several papers! Of course, none of the above is responsible for the views expressed herein, which are mine alone, and, moreover, do not necessarily reflect those of the Regional Studies Association.

DISCLOSURE STATEMENT

No potential conflict of interest was reported by the author.

Notes

1. It was his intention to write a sequel to *The Economics of Location*, on money and the space economy, but alas he died prematurely before he could do so. He did write an extended essay on certain aspects of money, *Theorie der Währung*, which was published after his death, but to my knowledge this has never been translated into English.
2. The acronym NICE is usually attributed to the former Governor of the Bank of England, Mervyn King.

3. As will be discussed below, I use the term 'new spatial economics' to include the New Economic Geography (NEG) and the New Urban Economics (NUE).

4. In essence, this policy model was a combination of restrictions on new and expanded factory development in the south east of the country (Industrial Development Certificates) combined with various capital grants for investments in premises and equipment made in the designated assisted areas of northern and peripheral UK.

5. Various estimates have been made of the numbers of new jobs created by regional policy in the depressed areas of the UK from the 1950s to the end of the 1970s. But producing such estimates is fraught with methodological problems, not least agreeing a meaningful counterfactual of what employment trends in these assisted regions would have been in the absence of policy.

6. Of course, these broad regional disparities conceal significant intra-regional inequalities: this has always been the case. But the relative incidence of richer and poorer localities across the regions still maps out a broad north-south geography, even if that geography is (inevitably) complex. Further, whilst indicators such as GDP and GVA are typically used to measure regional disparities, they capture only certain facets of local economic performance and activity, and as such do not convey the full range of factors that determine 'well-being' and 'quality of life'. Nevertheless, there is typically a strong correlation between local GDP per head and local variations in health, educational attainment and the like.

7. The classic source of this 'trade-off' idea is of course [OKUN \(1975\)](#).

8. In fact, in his *Development, Geography and Economic Theory*, [KRUGMAN \(1995\)](#) argued for reviving the earlier work in development economics and linking it to economic geography via new advances in economic theory and modeling technique.

9. At first glance, there would appear to be a major distinction between NEG and NUE, in as much that the former seems to stress increasing returns to scale within firms, whilst the latter emphasizes external increasing returns to city size and density. But in fact this distinction is often blurred, and one can both types of increasing returns invoked by both camps, and some general expositions of agglomeration in the economic landscape meld the two in their accounts (see, e.g. [FUJITA and THISSE, 2002](#))

10. In the UK, both NEG and NUE models have permeated policy thinking in several major Government Departments, including the Treasury, the Department for Business,

11. In fact not dissimilar concerns were raised some 40 years ago by [MAGNIFICO \(1973\)](#). He queried whether the European nations met the criteria necessary for successful monetary union, in part because of regional disparities in economic performance and inflation proneness across member states.
12. Among the relatively few remaining stalwart torch bearers, David Harvey of course stands out (eg [HARVEY, 2006](#)).
13. Both Porter and Florida have become something of global ‘policy celebrities’, consulted by governments around the world eager to find the ‘magic bullet’ of local, city and regional economic success, in the first case by promoting clusters, in the second by attracting the so-called ‘creative’ classes and industries.
14. See [PALAN \(2010\)](#) for a useful evaluative survey of the range of different measures that have been used to measure structural specialization and diversity.
15. For an interesting approach to measuring and tracking how national regional and city economies ‘fit into’ product and technological space, and how the complexity of that fit seems to be correlated with economic success, see [HAUSMANN et al. \(2013\)](#).
16. One of the earliest attempts to emphasize the combined nature of uneven regional development, drawing on a fusion of Harrod-type economic growth and instability theory, agglomeration theory, monopoly theory and notions of cumulative causation, is [HOLLAND \(1976\)](#). No one reads this study any more, yet its attempt to integrate several ideas into a general account of regional economic imbalance still holds some valuable lessons for today.
17. This is precisely the intention behind NEG models, as the previous quote by Fujita and Thisse illustrates so well.
18. As the late and eminent urban scholar Sir Peter Hall, once put it:

As is commonly the case with the geography of a complex economic unit, the present makes no sense until it is related to the evolutionary process which has produced it. (Peter Hall, [The Industries of London, 1962](#))
19. This was the sort of enquiry that [CHINITZ \(1961\)](#) appeared to be calling for in his comparison of the contrasting economic structures and growth rates of New York and

Pittsburgh, although his discussion does not situate these two cities in their wider national and international systems of interactions and dependencies. A contemporary example of what I have in mind is STORPER et al's (2014) comparison of Los Angeles and San Francisco.

20. The first experiment to revive the depressed northern areas of Britain was the Industrial Transference Scheme, initiated in 1928. This 'move workers to the work' policy sought to move unemployed workers from the structurally declining coalfields in northern regions to employment opportunities in the more prosperous south. It was not a great success, and was followed, in 1934, by the Special Areas Act, in effect a 'move work to the workers' policy since it aimed to attract new industrial investment to the depressed areas.

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