ECONOMIC GEOGRAPHY AS DISSENTING INSTITUTIONALISM: THE EMBEDDEDNESS, EVOLUTION AND DIFFERENTIATION OF REGIONS

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ABSTRACT. This paper endorses recent pleas for an ‘institutional turn’ within economic geography. In particular, it reveals and connects the coherence and distinctiveness of dissenting institutional economics as a way of thinking for economic geography. Economic geographers have recognized this tradition but its continuity and compass is not fully appreciated. To provide such an appreciation, this paper argues that the paradigmatic distinctiveness of dissenting institutionalism rests especially on its recognition that real world economies are embedded, have histories or evolve, and are different. The discussion is based around these three cornerstone principles of embeddedness, evolution and differentiation. For the future, greater attention to the region as an institution, albeit a complex one, along with greater attention to the synthesis of multi-dimensional processes that are normally analyzed as separate conceptual categories, is encouraged.

Key words: Dissenting institutionalism embeddedness evolution difference regions

Recently, Martin (1994, 2000) and Barnes (1999) have advocated an ‘institutional turn’ towards economic geography. This article reinforces this plea by emphasizing the coherence and continuity of ‘dissenting’ institutionalism within economics as a way of thinking for economic geography. To borrow Klein’s (1994, p. 26) phrase in his celebration of this tradition, I emphasize ‘what’s right’ with dissenting institutionalism for economic geography, rather than ‘what’s wrong’ with the ‘neoclassical orthodoxy’ it seeks to displace. What’s right is that dissenting institutionalism provides embedded, evolutionary explanations of why places are different. This paper addresses this claim.

Institutional economics, pioneered in the USA by Veblen, Mitchell and Commons at the turn of the nineteenth century, originated as a radical, non-Marxist alternative to neoclassical orthodoxy. Boulding (1971a) applied the appellation of ‘dissenting’ to this movement sometime later. By giving analytical priority to processes of political economy, social relations and technological change in understanding economic behaviour, dissenting institutionalism was motivated primarily to define an alternative paradigm to neoclassical economics and its economic way of thinking. If sympathetic, as Veblen was, the pioneering dissenters also distinguished themselves from Marxism.

Dissenting institutionalism constituted an eclectic, often intuitive mix of ideas and approaches that did not offer the formal (‘elegant’) logic of neoclassical (or Marxian) theory, but this characterization is its methodological point. Dissenting institutionalism is rooted in the rejection of general (unified) models of capitalism, whether based on universal forms of economic rationality, equilibrium tendencies or laws of motion (Hodgson, 2001). Admittedly, within economics dissenting institutionalism had lost its intellectual appeal by the 1950s, overwhelmed by the mathematical elegance and law-generating potential of neoclassicalism and emerging Keynesianism (Boulding, 1971a, p. 96). Dissenting institutional economics nevertheless survived through the work of outstanding individuals, such as Schumpeter (1943), Ayres (1944), Myrdal (1944, 1957) and Galbraith (1952, 1967). Moreover, with remarkable prescience, Boulding (1971a, pp. 90–91) anticipated its revival and that its ‘true significance’ as a dissenting stream of thought would ‘be found in the future.’ Tool (1994, p. x) agreed, claiming that by the 1970s dissenting institutionalism was re-established within economics as ‘a robust, evolving, and comprehensive…paradigm…in its own right’ (Kapp, 1976; Gordon, 1980; Klein, 1994; Samuels, 1998; Hodgson, 2001; Hollingsworth et. al., 2002). That is, dissenting institutionalism is not simply a critique of neoclassical theory but also an alternative paradigm.

While dissenting institutionalism is not a term evident within economic geography’s lexicon, its traditions favourably inform the institutional approach advocated by Barnes (1999) and Martin (2000). Thus Barnes (1999) illustrates the idea of
‘local models’ through the ‘local hero’ of Harold Innis, a student and advocate of the dissenting institutionalists and who pioneered an ‘Innisian’ tradition of political economy designed specifically to understand the Canadian case (Barnes et al., 2001; Hayter and Barnes, 1990). With respect to Martin’s (2000, p. 83) threefold classification of contemporary institutional approaches in geography, dissenting institutionalism encompasses ‘sociological’ and ‘historical’ (or evolutionary) institutionalisms and contests rational choice institutionalism that extends neoclassical theory around the theme of transaction costs. Indeed, an important advantage of the dissenting label is to provide distance from rational choice theory, also (perhaps better) known as ‘new’ institutional economics (Coase, 1937; Malmgren, 1961; Williamson, 1985). As such, dissenting institutionalism provides a powerful ally within economics for economic geography’s institutional turn. Such an alliance is not without anticipation. In particular, the geography of enterprise was stimulated by the Veblen–Galbraithian idea of the corporation as a powerful area organizing institution (Krumme, 1969, 1970) and, as an economic geography pioneer of institutionalism, Wagner (1960) deserves special plaudits. The basic objective of this paper is to outline a framework that explicitly connects the tradition of dissenting institutional economics with economic geography. The discussion is applied rather than philosophical and unfolds in four major parts. The first part briefly reviews dissenting institutionalism, outlines an overview model of the social economy that is at the heart of the dissenting institutional landscape, and defines the key dimensions of this social economy as embeddedness, evolution and differentiation. These concepts are broadly elaborated in the next three major sections of the paper including by interpreting regions as institutions. If the key dimensions, or related concepts, are not new, the coherence and continuity of dissenting institutionalism is not appreciated within economic geography. Such an appreciation is needed to counter criticisms of the integrity of economic geography’s institutional turn, for example, as expressed by Amin (2001), Jessop (2001) and MacLeod (2001) that stress its faddishness, fragmentation and softness. As problems across economic geography, fragmentation and faddism are significant criticisms since research efficacy is compromised when the values of existing ideas and evidence are neglected and the costs and uncertainties of re-inventing intellectual wheels ignored (Hodgson, 2001). Moreover, as Martin and Sunley (2001) rightly complain, faddism encourages the demeaning of rigorous empirical work in favour of more fleeting, casual ‘soft’ observations. But if faddism is a problem then surely the answer is to stop being faddish! In this regard, Amin’s (2001) admonition to ‘move on’ is paradoxical if it implies more faddism; the better alternative is to move on by elaborating established, robust and developed streams of thought.

In this spirit, this paper embraces dissenting institutionalism as a progressive evolving movement which recognizes the importance of political and social processes without eliminating the economic from consideration and in a way that is acutely sensitive to context, specifically including that defined by geographic difference. Dissenting institutionalism accommodates the need for new insights for different times and places and provides a research tradition in which theory and empirical work are both vitally important and causally interrelated. The interface between theory and empirical work, however, is not the focus of this paper. This paper also does not compare and contrast dissenting institutionalism with other institutional approaches, related cultural and relational turns towards economic geography, or with regulation theory (see Lee and Wills, 1997; Bathelt and Glückler, 2003).

**Dissenting institutionalism and the social economy**

Institutionalist critiques of neoclassical economic theorizing (‘conventional wisdom’) as a basis for economic geography have been forcefully stated and no reiteration is needed here (Barnes, 1987; Martin, 1999). Suffice it to say that since its foundation, dissenting institutionalism’s dissent from neoclassicalism arises from fundamentally different theoretical starting points that respectively lie in ‘real’ and ‘abstract’ economies. Thus neoclassical explanations derive from a deductively imagined, static economy created by universal forms of rational economic behaviour that provides an ‘ideal’ template for comparisons with the real world. In contrast, dissenting institutionalism develops theory from real world behaviours which are conceptualized as institutional processes that are defined in relation to ‘prevalent habits of thought’ (Veblen as quoted by Hodgson, 2001, p. 142) and by Martin (2000, p. 79) as ‘systems of rules, procedures, and conventions, both of a formal and informal nature’ (see Oinas, 1995). Whether institutions are classi-
fied as organizations, interorganizational relationships and networks, social movements, and social attitudes (or individuals), 'habits and conventions' are not narrowly economic in nature but socially engrained and differ in varying degrees from place to place. Moreover, in real economies habits and conventions are changed by innovations and crises of various kinds. By seeking to explain both social dynamism and stability, as Martin (2000, p. 86) notes, dissenting institutionalism constantly wrestles between forces of continuity, even sclerosis, and discontinuity. Indeed, with its focus on explanations of human (economic) behaviour in terms of engrained habits and conventions and how and why these institutions vary over time and place, dissenting institutionalism recognizes that real world economies are embedded, have histories (or evolve) and are different. Succinctly stated, dissenting institutionalism provides embedded theories of economic development for different places. Normatively, dissenting institutionalism approaches questions as to ‘appropriate’ institutional behaviour and the idea of ‘progress’, not from preconceived or ‘general’ templates, but based on judgements rooted in experience, context and social legitimacy (Ayres, 1944; Klein, 1994).

Within economic geography, the interlocking principles of embeddedness, evolution and difference relate explicitly to previous (institutional) analyses of regional development based on the institutions–organization, technology and geography–territory triad (Hayter and Barnes, 1990; Storper 1997, pp. 26–56). The embeddedness–evolution–difference framework is more general, however, and these principles are the coordinates of the landscape of dissenting institutionalism at the heart of which is a ‘social economy’ (Fig. 1). Four general points about this landscape need to be identified at the outset. First, the social economy basically comprises a highly varied, interlocking set of institutions that implicitly or explicitly are characterized by distinctive strategies and structures, values and attitudes. In this social economy, institutions to varying degrees conflict, compete and cooperate with one another while their evolution and interrelationships combine social and political as well as economic motivations. This social economy, which may be labelled the political or sociopolitical economy, imagines a very different landscape from the homogeneous plains that are populated and organized solely by the hedonistic, relentlessly economic sovereign individuals (consumers and producers) represented by Homo Economicus. The social economy also departs from Marxian landscapes overwhelmed by convictions of exploitation. Exploitation surely exists, but the social economy simultaneously features mutual benefits, creativity and hope.
Second, the embeddedness principle states that economic and non-economic factors or processes are symbiotically integrated, only understood in relation to one another. Markets and market relations that so impregnate capitalism are instituted and their inherent competitiveness is also understood as social information-based relations and as exercises in power, conflict and bargaining. From this perspective, ‘rationality’ is complex, shaped by a variety of (intertwined) social and political as well as economic motivations and processes, and indeed by different kinds of interlocking institutions (Veblen, 1904; Myrdal, 1957). Granovetter’s (1985) elaboration of embeddedness articulates this argument precisely. Third, the evolutionary principle argues that changes in this symbiosis over time are path dependent, crisis ridden over cycles of boom and bust and war and peace, and are transformative. Dissenting institutionalism has been centrally concerned with explanations of the long-term dynamics of capitalism that is marked by patterns of creative destruction in Schumpeter’s (1943) memorable phase (Mitchell, 1941). Evolutionary explanations are also embedded in social and political as well as economic processes.

Fourth, the difference principle states that the evolution of embedded social economies are geographically (and socially) segmented. Indeed, the original American dissenters, Veblen, Commons and Mitchell, who so objected to the universalisms of neoclassical theorizing, were concerned primarily with explaining American capitalism, while parallel developments elsewhere, including the UK, Germany and Sweden, were similarly nationally oriented (Boulding, 1971a; Hodgson, 2001). Subsequently, the distinctiveness of national economies became more comparatively explicit within dissenting institutionalism, illustrated by Myrdal (1957) in terms of the North-South divide and by the clarification of national innovation systems (Nelson, 1988; Freeman, 1995). Dissenting institutionalism’s view that nations are fundamentally different, not just minor variations on some grand theme, is enriched by economic geography’s scale sensitivity to instituted processes and the idea that economies vary to form ‘local models’ (Barnes, 1996, pp. 206–228) or ‘regional worlds of production’ (Storper, 1997). Indeed, if the region is a useful category – surely a sine qua non for economic geography – then they are also ‘institutions’, albeit complex ones created by (multi-scalar) global-local dynamics defined by (different) institutional sets of values or dimensions.

The landscape of dissenting institutionalism is connected by particular kinds of institutional characteristics, relations and processes that intertwine embedded, evolving and differentiated social economies. Thus, the social economy is organized primarily by powerful institutions that may respond to social interests or exercise ‘disproportionate influence’. However, it is not easy to distinguish proportionate from disproportionate power. Within corporations, for example, power and knowledge networks reinforce one another (Fig. 1). Corporations exploit, but they also innovate; firms become powerful because they are smart while smart firms seek to protect their know-how-based advantages. Indeed, the long-term dynamics of capitalist economies is fundamentally driven by innovation. But if innovation is sectorally, temporally, spatially and organizationally uneven, institutional trajectories are inevitably path dependent as present and future behaviour is shaped by initial and existing conditions whether by adaptation or cumulative tendencies. The cumulative processes underlying evolution are of especial concern for understanding patterns of equality and inequality (Fig. 1).

Reference to equality and inequality raises moral and policy concerns. In this regard, dissenting institutionalism has always sought to explain how the real world actually operates and help inform its policy prescriptions. In this context, it is important to stress that the principles of embeddedness, evolution and difference, and of related concepts such as path dependency, cumulative change, innovation and power networks, are not inherently good or bad, virtuous or vicious. Rather, these principles may be either good or bad depending upon context, judgement and empirical evidence. Moreover, policy prescription or moral persuasion is not simply a matter of aggregating individual values to a social grouping (the fallacy of composition), nor can group values be simply disaggregated to individual levels (the ecological fallacy). As Tool (1994, p. xi-ii) recognizes, the linking of individual desires with social values or the ‘collective ought’ is problematical and itself a research goal of dissenting institutionalism.
The inherent embeddedness of dissenting institutionalism

Economic geography’s recent embrace of institutionalism has grappled extensively with the idea of embeddedness (Thrift and Olds, 1996; Oinas, 1997), stimulated particularly by Granovetter (1985) and occasionally reaching back to Polanyi (1944). Specifically critical of the economism underlying Williamson’s (1975) transaction cost model, Granovetter defined embeddedness in terms of socially instituted processes created by reciprocal links between economic and social (non-economic) institutions. Surprisingly, Granovetter (1985) did not refer to dissenting institutionalism. As Kapp (1976, p. 213) notes: ‘[dissenting] institutional economics has always aimed at a coherent representation of economic processes within and as part of a complex social system and their interaction’. Indeed, even if Veblen was ‘constitutionally adverse to clear constructions’ (Boulding, 1971a, p. 97; also Barnes, 1999, p. 7), his economics was distinguished by his absolute emphasis that market (economic) relations symbiotically comprise social and power relations. For Veblen, capitalism is driven, not by faceless Economic Men, but by the machinations of the ‘leisure class’, the clash between ‘business’ (or pecuniary) and ‘industrial’ interests, ‘absentee owners’, ‘vested interests’, ‘instincts for workmanship’, ‘the machine process’ and so on (Tilman, 1993; Veblen, 1904, 1914). Whatever its opaqueess, Veblen interpreted such basic concepts as ‘demand’ and ‘supply’ as social and political as well as economic constructs.

Embeddedness has no simple geographical connotation but is defined by reciprocal social, political and economic processes that occur at multiple scales and change constantly at any given scale. In a dissenting institutional landscape, ‘unembedded’ and ‘purely ‘economic behaviour is impossible to conceive of. Admittedly, economic geography’s incorporation of the theme of embeddedness has been problematic, and Oinas’ (1997, p. 30) conclusion that ‘embeddedness remains a vague and undeveloped notion’ still resonates in attempts to understand behaviour that is neither under- nor oversocialized. Her basic criticism is that economic geography’s elaborations of embeddedness ‘refer to all sorts of involvements of firms, their market and network relations as well as their broader societal responsibilities’ and are too all-encompassing, ‘with the result of being ambiguous’ (Oinas, 1997, p. 26). As Oinas further notes, however, other assessments too narrowly equate embeddedness (of firms) with linkages that are economic and local (ibid.). There is also a tendency within economic geography to characterize increasing (local) embeddedness as inherently beneficial. Yet embeddedness neither automatically implies socially beneficial nor harmful behaviour. The institutional controversy over branch plants, for example, is not whether or not they are embedded. Rather, the debate concerns whether branch plants replace traditional, conservative and non-competitive attitudes with commitments towards best practice behaviour that stimulate innovatory attitudes and policies or reinforce embedded attitudes of social, political and economic dependency (Britton, 1980; Hardy, 2002).

Notwithstanding ambiguities in its interpretation, Veblen’s view that market relations are simultaneously social and political relations is a distinction that helps analytically elaborate the idea of embeddedness within recent economic geography literature.

The social structure of market relations

For dissenting institutionalism, markets are institutions created by people and cannot exist without social structures. In Boulding’s (1971c) terms, economic systems, whether they are based on the ‘threat’ (command) or ‘exchange’ principles, require social sanction or some features of what he terms an ‘integrative system’. In general terms, the integrative system involves ‘status, identity, love, hate, benevolence, malevolence, legitimacy – the whole raft of social institutions which define roles … because of some kind of status and respect’ (Boulding 1971c, p. 348). For Boulding, the integrative system, not ‘invisible’ hands (or crude exploitation), allows markets to work, and legitimizes (and constrains) the exercise of power.

Within economic geography, the integrative system resonates strongly with Storper’s (1997, 1999) ideas about untraded interdependencies and ‘relational assets’ that help underpin interfirm relations. Untraded interdependencies are not easy to measure, however, and have been ambiguously associated with local (unspecified) ‘cultural’ practices, tautologically represented as cause and effect of local agglomerations. On the other hand, untraded interdependencies have been effectively defined as non-priced, shared behaviour, understandings and (direct and indirect) exchanges of information among related economic activities. From this per-
spective, the ties that bind production systems have been progressively explored according to the integrated themes of trust and cooperation (e.g. Lorenz, 1992; Cooke and Morgan, 1998), and the nature of learning processes (e.g. Maskell et. al., 1998; Malmberg and Maskell, 2002). In the context of ‘high trust’ Japanese industrial districts, the relation-specific skill has arguably provided the basis for the most sophisticated attempts to measure the benefits of cooperative learning (Asanuma, 1989; Patchell, 1993). Further, Patchell (1996) has devised a classification scheme of forms of regional development based on the principles of control, competition and cooperation that explicitly disaggregates untraded interdependencies (and which corresponds to Boulding’s categories of threat, exchange and integrative systems). Such a classification scheme places people and their institutions at the centre of understanding regional development.

In effectively exploring the social structure of market relations, the economic geography literature has focused on local agglomerations and supply-side perspectives. Since all market relations are social, however, the geography of untraded interdependencies is not simply a localized phenomenon, but has continental and global dimensions. The idea of (North American) ‘continentalism’, for example, implies a distinctive economic ideology, geopolitics and spatial division of labour that underpins Canada’s role of resource supplier to the USA (Hayter and Holmes, 1999). In the case of demand, it is worth remembering Veblen’s insistent rejection of the neoclassical assumption that consumers are ‘sovereign’ – independent from one another and from suppliers – and that the price mechanism captures value. In his view, tastes (and values) are not ‘given’ but dynamic, socially learned and affected by some sense of collective views, habits and instincts (Boulding 1971b, p. 450). In the theory of status emulation, for example, social classes competitively emulate the social strata above them, driven by desires to increase social status, self-worth and even power. Such behaviour produces so-called: ‘Veblen effects’ (when a high price for a good enhances status); ‘bandwagon effects’ (tendencies to copy the behaviour of peers); ‘snob effects’ (purchase of goods only properly appreciated by elites); and ‘counter snobbery effects’ (attempts to increase status by reverting to simpler, more austere lifestyles) (Tilman, 1993, p. xx). For Veblen, the most powerful culturally based forces shaping people’s preferences are the upper classes who ‘can engage conspicuous consumption, afford waste, and avoid useful labour’ and demand the production of goods that are status enhancing as well as functional (Patchell and Hayter, 1997, p. 398). In contemporary Japan, for example, demand for meiboku – various forms of ‘special wood’ used in Japanese-style homes – can be understood only in terms of Japanese traditions and particular forms of status (ibid.).

Within economic geography, Veblen’s concept of demand underpins recent key developments. The analysis of production systems, for example, has been extended to incorporate interactions between demand and supply, and specifically how differences in these interactions define different housing landscapes and production systems in Japan and the USA (Patchell, 2002). The anatomy of consumption has been given more sustained attention in analyses of post-productivist cities, retailing and leisure (Zukin, 1991; Crewe, 2002; Phelps et. al. 2002). This literature recognizes that market demand is manipulated by hugely expensive marketing and advertising campaigns, including payments for celebrity endorsement, that seek less to inform than to encourage emulative behaviour among consumers (Cialdino, 2001), and by the structure of the built environment (Goss, 1993). Thus for Goss, the ‘magic’ of shopping malls is not simply about the travelling convenience of consumers with given tastes but in how large corporations shape consumer experience and preferences. In this view, consumer sovereignty is a myth, underpinned by the socializing aspect of demand and the power of suppliers.

The power structure of market relations
Historically, dissenting institutionalism was provoked by the emergence of powerful, often rapacious corporations whose ‘vested interests’, controlled by ‘captains of industry’ and increasingly bureaucratic ‘technostructures’, conflicted with community interests (Veblen, 1904). Galbraith (1967) popularized the assertion that modern industrial states are dominated by giant corporations which comprise the ‘planning system’ rather than the plethora of small firms which comprise the ‘market system’. In this view, giant corporations have created extensive, internalized, administered transactions that have largely replaced true markets based on numerous, voluntary exchanges among independent buyers and sellers. The analysis of the social (in)efficiencies of giant corporations, metaphorically characterized as ‘islands of conscious
power in [an] ocean of unconscious cooperation like lumps of butter coagulating in a pail of butter milk’ (Robertson 1928, p. 85), is an enduring theme of dissenting institutionalism.

The dual model of business segmentation that distinguishes between planning and market system firms has been absorbed within the ‘consciousness [and practice] of economic geography’ (Hayter et al., 1999). As Krumme (1970, p. 318) argued large corporations and Galbraith’s technostructures have become so powerful as to be ‘states without states’, belonging ‘to so many political jurisdictions that they seem to be practically independent of all of them’. Indeed, for several decades, analytical priority has been given to ‘the firm’ within economic geography due to the ability of giant corporations to manipulate cost and revenue surfaces and to shape patterns of local development according to their preferences and priorities (Krumme, 1969). Such pleas, recently restated (Maskell, 2001), helped spawn an extensive literature on the economic geography of the firm. This literature evolved around theories of the growth of giant firms, especially in relation to direct foreign investment; interpreted factory location within the context of corporate strategies; documented the spatial distribution of corporate control and operating functions; and linked internal divisions of labour to patterns of regional equality (Pred, 1974; Britton, 1980; Hayter and Watts, 1983; Dicken and Thrift, 1992). A parallel literature on small firms also evolved (Cooke and Morgan, 1998). Recently, the pioneering studies of Fredriksson and Lindmark (1979) and Sheard (1983) have stimulated growing interest in the interfirm relations between giant and small firms within localized and dispersed production systems. There is also awareness that segmentation processes are more complicated than implied by the dual model (Hayter et al., 1999).

Admittedly, the idea of (embedded) corporate power, and of ‘power networks’, is often vaguely or undefined within economic geography. The concept of the firm has also been confused by reference to power networks that, it is said, blur firm boundaries. Firms are legally defined entities that are not less so depending upon their power or degree of market (or supply) reliance (Hodgson, 2001, p. vv). The vitally important distinction is between internally administered transactions within corporations and market relations, however ‘imperfect’, between firms. These different types are organized by different rules and conventions. Furthermore, in a dissenting institutional landscape corporate power is embedded, has limits and is socially problematic. In these contexts, the concepts of (dis-)proportionate power and countervailing power are foundational to the institutional perspective, although their application in economic geography is largely implicit.

Within dissenting institutionalism, the exercise of corporate power may be good (‘proportionate’) or bad (‘disproportionate’), a distinction based primarily on questions of social legitimacy, not on private efficiency, of corporations (Klein, 1994, pp. 125–146). Indeed, the perfectly competitive market model of neoclassical theory, defined as ‘a zero-power ideal; discretion is widely disbursed; individuals and firms are price takers’ (Tool, 1994, p. xi), is rejected by dissenting institutionalism on both positive and normative grounds. That is, in this view, the market model neither describes reality nor provides an appropriate alternative. For Galbraith (1967) and Freeman (1993), the social legitimacy of the modern corporation is based on its ability and necessity to deliver the technological foundations of modern society. This view is consistent with the idea of firms as learning-based organizations that develop competitive advantages by progressively realizing resources and knowledge-based entry advantages and competencies of various kinds in particular locations (Patchell, 1993; Maskell et al., 1998). Corporate plans do go wrong (Schoenberger, 1997). More fundamentally, corporate strategies rooted in the accumulation of know-how are often reinforced by the advantages of size and bargaining power, and firm size is not limited by measurable economies of scale, including those associated with research, development and innovation. Thus, corporate growth that ‘delivers’ innovations and investments can simultaneously deliver disproportionate power capable of exploiting consumers, workers, local development, smaller rivals and suppliers, individual shareholders, politicians and the environment, for pecuniary, private advantages that in some sense undermines community interests.

In the landscape of dissenting institutionalism, corporate exploitation is constrained by ‘countervailing powers’ that for Galbraith (1952, 1967) principally comprised Big Business, Big Government and Big Labour. Each of these institutions can be differentiated and others added, such as institutions related to religion, education, health and feminism while in recent decades, civic society actors or non-government organizations (NGOs), such as environmental NGOs and consumer lobby groups,
have emerged as important constraints on corporate behaviour. Countervailing powers are institutions, characterized by distinctive structures, policies, conventions, values and sources of bargaining ability, that seek to shape rather than undermine corporate behaviour according to their mandates. Opposition to big business and supportive government policies, including union strikes, environmental blockades and anti-globalization demonstrations, testify to the conflicts among countervailing powers. Yet countervailing power networks regulate, reinforce and closely intermesh with one another in ways that shape the daily routines of all aspects of industrial societies. Unions and corporations are adversaries even as their collective bargains define the minutest details of their cooperation. ENGOs, the sworn enemies of big business, nevertheless negotiate with the ‘planning system’ in support of, for example, Elkington’s (1998) ‘triple bottom line of profits, environment and society’ and the demands for socially responsible investing.

Corporate power networks are buttressed, as much as modified, by countervailing powers for at least three reasons. First, countervailing powers depend on social accountability and sanction, often expressed in government legislation. Second, the corporate sector can contribute to social bargains in ways that are hard if not impossible to emulate by small firms. Third, the regulation of business has significant fixed costs that contribute to economies of scale effects which are to the relative advantage of giant corporations. The almost universal disdain of small firms for regulations and bureaucracy reflects this cost (and time) burden, and their effects on reducing entrepreneurial ‘flexibility’.

In the landscape of dissenting institutionalism, social economies imply ‘social bargains’ among countervailing powers that are controversial to interpret. Thus ‘social’ or community interests are difficult to summarily or collectively define; all countervailing powers (not only corporations) exercise disproportionate as well as proportionate power; and for any given countervailing power proportionate and disproportionate power are entangled. Social bargains also change over time. Indeed, contemporary debates about globalization feature changing relationships among countervailing powers, including the proposition that the enhanced global reach and flexibility of corporations, derived from advances in communication technologies and by financial and trade deregulation, has undermined the influence of labour and, more problematically, national governments (Hirst and Thompson, 1996). This reach has not gone unchallenged. For example, powerful NGOs and ENGOs that comprise quintessential forms of the ‘network society’ which Castells (1996) sees as the hallmark of globalization, have effectively opposed corporations around the world (Eden, 1996; Soyez, 2002). Indeed, ENGOs may have become more important countervailing powers than labour, in some places contributing to labour’s decline.

The historical transformation of social economies qua social bargains is outlined in the next section.

The evolution of social economies
For Heilbroner (1985), the essence of capitalism is its dynamism and no other form of social economy is as committed to ongoing change. People in subsistence societies, for example, anticipate life paths little different from their parents, their economic problems dominated by how to divide sparse food supplies according to rules established by tradition. Centrally planned economies (CPEs) massively industrialized and achieved relatively egalitarian societies, but not the ability to maintain developmental momentum. In capitalist societies, however, people anticipate constantly changing life paths, driven by continuing streams of technological and institutional innovations which range from almost imperceptible ‘incremental’ changes to ‘paradigmatic’ changes that restructure societies. Moreover, as Schumpeter (1943) argued, capitalist evolution is not smooth but buffeted by ‘gales of creative destruction’ as innovations create new jobs, firms, places and industry while threatening existing activities. Similarly, if innovations have massively depleted global environments they also create possibilities for a more sustainable future. Within the Schumpeterian tradition, the technology paradigm (TEP) model of Freeman and Perez (1988) and Nelson and Winter’s (1982) technology regime (TR) model are closely related innovation-based explanations of long-term industrialization that is transformative, crisis ridden and path dependent (Dosi et. al., 1988). Indeed, they have formally coalesced with respect to the idea of national innovation systems (Nelson, 1993; Freeman 1995). Both models have informed analyses of location dynamics (e.g. Ofori-Amoa, 1993; Glassmeier, 2000).

As Hodgson (2001) emphasizes, the significance of an evolutionary or historical perspective to understanding economic behaviour is rooted in
Marx’s concept of historical specificity which, in brief, recognises that different periods of history are significantly different as well as connected. In Freeman’s TEP model, the periods differ due to (radical) innovation and are connected because socio-economic change is path dependent. Freeman’s model seeks to explain the course of economic development since the Industrial Revolution and each TEP is a significantly different period that occurs over fifty-year Kondratiev cycles or long waves. As Freeman (1992) notes, his approach connects with regulation theory, notably regarding the characterisation of post-Fordism with the information and communication TEP (see Coriat and Dosi, 2000). Boyer (1990, p. 23), an architect of regulation theory, also links the two approaches because both intertwine history as ‘crisis ridden, featuring secular change’. Boyer’s and Saillard’s (2001) ‘state of the art’ assessment of regulation theory, however, reveals that in this approach analytical priority is on the wage–labour nexus while innovation is of secondary, perhaps even marginal importance. In contrast, if less recognised within economic geography, the TEP model has broader institutional scope and emphasises innovation as the fundamental basis for understanding long-term, uneven development.

The TEP (and TR) model explicitly interprets technology change as a social process. Thus, Freeman’s (1974) neglected neoclassical growth theory’s neglect of technology as an ‘exogenous’ (unexplained) variable and, via in-depth case studies as well as quantitative analyses, sought to explain innovation as a socially conditioned path-dependent process. The TEP model’s paradigms are labelled ‘economic’ as well as ‘techno’ specifically to emphasize that technological trajectories reflect social choices (Freeman, 1988) and do not follow pre-determined or teleological paths, as is sometimes supposed (Sabel and Zeitlin, 1985).

Moreover, the vitally important concept of ‘matching innovations’, although scarcely mentioned in economic geography, emphasizes the mutual interactive importance of institutional and technological changes. Bluntly stated, new incremental, major and radical ‘hard’ technologies require new incremental, major and radical institutional arrangements, habits, routines, values and conventions. At the paradigmatic level, major new technologies require new forms of business organization, labour relations, government policy, education systems and so on and, in turn, new institutional arrangements enhance productivity and facilitate new technologies. In this context, ‘lead nations’ successfully match paradigmatic technological and institutional innovation to create models which force other nations to adapt. For ‘followers’, the problems of technology transfer are as much institutional as they are technological (Hobday, 1995).

The interweaving of institutional and technological innovations implies experimentation and social bargaining that is uncertain, contentious and contingent; mismatches can occur and failures in inventive and innovative processes, and their unintended effects, further contribute to the indeterminacy of economic evolution. Indeed, national innovation systems, defined by various public, private sector and ‘mixed’ institutional, are social experiments (Freeman, 1995). As Nelson (1988, p. 325) emphasizes with respect to national innovation systems, there is no mechanical rule to resolve the ‘institutional assignment problem’ regarding the allocation of (public and private sector) resources among different forms of R&D organizations, such as in-house, government, university and association laboratories, that compete and cooperate with one another in the creation and transfer of technology. National innovation systems, that is, are social experiments. In practice, ‘national’ innovation systems are both strongly urbanized (Saxenian 1994; Schamp, 2002) and connected to one another across national boundaries (Oinas and Malecki, 2002). Whether conceived at national or local scales, however, innovation systems are hard to transfer across space, and these difficulties, captured by numerous attempts to ‘clone’ Silicon Valley, are institutional rather than technological.

An important implication of the TEP model’s interpretation of technology as instituted process is that innovation can be shaped by policy to resolve social problems. Freeman (1992), for example, was a leading critic of Meadows et al. (1972) widely publicized simulations of looming global environmental disaster, driven relentlessly by ever-increasing resource-gobbling technological change and society’s insatiable materialism. The TEP model, by formally recognizing paradigmatic changes in definitions of productivity and the social relations of technology, has more sanguine implications for environmental policy. Thus in the contemporary shift towards ICT, based on principles of organizational and production flexibility, resource use has already been substantially modified, directly and indirectly, by various applications of microelectronic technologies and new forms of behaviour. At the same
time, Freeman recognized that the ICT was not primarily environmentally motivated, nor had all its environmental potential been realized, and he urged policies to be implemented now in anticipation of a new Green TEP (Freeman, 1992, pp. 208–209; Hayter and Le Heron, 2002). The economic geography of this anticipation is slowly coming under scrutiny (Scott, 1995; Allenby, 1999; Patchell, 1999). Meanwhile, the hope and creativity offered by innovation policy within the institutional perspective contrasts with the ‘doom and gloom’ views that portray technology as exploitative and beyond social control (e.g. Lipsitz, 1992). Ideally, the Green TEP would reward path dependent behaviour that creates positive sum games between development and the environment.

Path dependency (and circular interdependence and cumulative causation)
The principle of path dependency states that ‘history matters’ in that initial and existing conditions shape present and future socio-economic behaviour. Even in purely economistic terms, product development can be ‘locked-in’ to paths of increasing or decreasing returns to scale (Arthur, 1989). With-in dissenting institutionalism, path dependency is conceived more broadly to capture the reinforcing interactive effects of social, political and economic factors in locking in the trajectories of firms, sectors and regions within and across TEPs. In this regard, Myrdal’s (1957) concept of circular interdependence and cumulative causation is a significant intellectual antecedent.

As Kapp (1976) records, Myrdal formally elaborated on the principle of circular interdependence and cumulative causation to confront prevailing (neoclassical) beliefs in equilibrium tendencies. In Myrdal’s (1957, p. 13) words, ‘In the normal case a change does not call forth countervailing changes but, instead, supporting changes, which move the system in the same direction as the first change but much further. Because of such circular causation a social process tends to become cumulative and often to gather speed at an accelerating rate’. In this view, socioeconomic structures and problems are created by a complex range of economic and social (or institutional) factors that are intrinsically interlocked and ‘it is useless to look for one predominant factor, … such as the ‘economic factor’’ (ibid., p. 19). In effect, Myrdal’s principle is a (complex) hypothesis about the dynamics of embeddedness, in which ‘initial conditions’, in the form of prevailing attitudes, policies and established structures, are influential in shaping the momentum of a wide variety of economic and non-economic interlocking forces. Myrdal’s pioneering conception of cumulative causation is clearly linked to path dependency, and ‘locked-in’ behaviour through emphasis on sequential, related and cumulating processes. If path dependency is not tied solely to cases dominated by disequilibrium and inequality, the TEP model’s emphasis on uneven sectoral and regional development implies that cumulative causation is at least an extremely significant expression of path-dependent behaviour.

Path-dependent and cumulative causation processes may be socially virtuous or vicious, and both of these forms of trajectories are widespread. Myrdal (1944, 1957, 1968) was especially concerned with understanding the complex, engrained social problems of racism and poverty, initially in the USA and then Asia, that were trapped by socially vicious processes of cumulative causation. Within economic geography, path dependency often implies pejorative (corporate, regional and industrial) behaviour equated with lock-in to outdated modes of thinking by vested interests of (disproportionately) powerful corporations, unions and governments (Clark, 1986). Yet path dependency is a fundamental basis for socially progressive developments. Thus within the TEP (and TR) model, path dependency drives a deepening division of labour, vital to understanding the creative, adaptive and dynamic capabilities of individuals, factories, firms and other organizational types in realizing economies of scale and scope. In particular, these models explicitly recognize learning as deeply cumulative, socialized and institutionalized processes in which the probability of advancement, innovation or progress, whether incremental or radical, to an important degree is a function of existing levels of knowledge and capability (Dosi et al., 1988; Eraydin, 2002). At its base, the knowledge economy depends upon cumulative progressive career paths of specialized individuals coordinated formally and informally in learning networks. Indeed, it may be argued that industrialization has always been a ‘learning process’, albeit one that fundamentally changes with each TEP. Thus the German and Japanese production systems that heralded the onset of the ICT were acclaimed for their comprehensive organization as flexible, learning systems in which skill formation and interactive learning was promoted among all (white- and blue-collar) employees to a greater degree than established US-
dominated Fordist models (Marshall and Tucker, 1992; Florida and Kenney, 1990). The fact that the nations which had industrialized by 1914 remained globally dominant a hundred years later testifies further to the cumulative power of industrial learning (Maddison, 1991).

Path-dependent sectoral, regional or corporate trajectories are neither predetermined nor ‘random walks’. Thus firms exist by exploiting ‘entry or competitive advantages’ that comprise distinct firm-specific resources, assets and various kinds of (production, marketing, financial, location) know-how, expertise or competence that accumulate, based increasingly on highly localized, tacit learning processes (Caves, 1971; Maskell et al., 1998). In the case of MNCs, know-how is exploited in new geographical environments and is typically reinforced by power-based economies of size. Accumulated know-how and related capital resources provide substantial fixed or sunk costs that are strong incentives to firms to evolve in path dependent directions (Clark and Wrigley, 1995). These sunk costs simultaneously define the size of the entry barriers facing ‘new’ rivals and the opportunity cost of non-path-dependent behaviour. Nevertheless, chosen paths are not pre-ordained because options are available in the elaboration of know-how; dynamic systems feature significant uncertainties, and because even the largest firms are affected by countervailing powers and technological change that cannot be entirely controlled or fully anticipated. Some firms have the option of radical (conglomerate) diversification. This option, however, typically involves the acquisition of existing firms and accumulated expertise, in effect reinforcing the importance of path-dependent behaviour.

Path-dependent processes, comprising historically constrained (cumulating) interlocks of economic and institutional forces, define and are defined by place. Historically, industrialization has been a strongly ‘regional phenomenon’ (Pollard, 1982) and, for example, Pred (1965) explained the evolution of the great American Manufacturing Belt based on Myrdal’s principle of circular and cumulative causation. He especially stressed favorable initial location conditions, a rapidly growing population, cheap immigrant labour, an entrepreneurial culture, infrastructure provision, nationalistic economic policies, huge domestic markets, commitments to innovate, local boosterism, and escalating agglomeration economies and multiplier effects that progressively enhanced the region’s industrial dominance and global reach. The American Manufacturing Belt defined the apogee of a self-sustaining, diversified industrial structure. Meanwhile, in American resource peripheries, the cumulative impacts of ‘dispersed’ industrialization were typically very different, producing highly specialized, dependent communities controlled by distant decision-makers that became, in Freudenberg’s (1992) metaphorical term, ‘addicted’ to a mentality that equated local development solely with exploitation and export of resources.

Although extremely difficult to predict, cumulative, path-dependent processes can be modified and reversed, as illustrated by the deindustrialization of the American Manufacturing Belt that became apparent in the late 1970s and by its, more arguable, recent renaissance. In these shifts from virtuous to viscous to (maybe) virtuous cumulative change, institutional factors are important considerations. Thus deindustrialization has been related to: following out processes by US-based MNCs as they relocated factories to developing countries while failing to modernize domestic factories (Bluestone and Harrison, 1982); an increasingly obsolescent labour relations model in which negotiation patterns of job demarcation, seniority and shop-floor organization had become inappropriate to the flexibility imperatives of the ICT (Clark, 1986, 1989); and reliance on an increasingly non-competitive ‘linear’ model of innovation based on the ‘rigid’ transfer of ideas from basic research to applied and development research to the factory and then to the consumer (Florida and Kenney, 1990). Once deindustrialization had begun, downward multiplier effects gathered momentum as plant closure (and job loss) fed further closures in linked factories, disabling communities who sought to diversify in the face of declining tax bases and increased out-migration. Recent claims of the rejuvenation of the American Manufacturing Belt have also recognized institutional factors. These arguments especially stress the adoption of new thinking in managerial attitudes, labour relations and the organization of innovation and production, especially those evolving from ‘best practice’ Japanese experience in new greenfield factories unfettered by old attitudes (Florida, 1996; Liker et al., 1999). In this view, Japanese DFI directly develops ‘high-performance organizations’ and ‘demonstration effects’ that create virtuous processes of cumulative causation.

As Myrdal insisted, path-dependent processes are hard to understand because they are created by a multiplicity of interlocking economic and non-economic factors; there are no magic bullet expla-
nations of virtuous behaviour or magic bullet policies to turn around viscous processes. Moreover, if turnarounds are driven by institutional and technological innovation, they also often need the stimulus of crisis.

**Crises as Turning Points**

Within dissenting institutionalism the socioeconomical impacts of crisis, especially with respect to business cycles but also war (Moore, 1919; Mitchell, 1941; Boulding, 1985b, 1985c; Klein, 1994, pp. 244–272), are significant as turning points in development trajectories in the short and long-term. In the short-term, crises implicate, and to some extent require, changes in habits, routines, conventions and policies. In the long run, crisis-stimulated experiences and developments contribute towards new conventions, policies and structures in ‘normal times’. Moreover, policies and attitudes have increasingly sought, with varying success, to mitigate or at least prepare for future crises. Periods of boom and bust, war and peace are separate but interdependent periods and ‘habits of thought’.

The immediate impacts of crisis on policy, behaviour and the routine of daily lives are particularly well illustrated by war. As Boulding (1985b, p. 303) notes, there are normally ‘very sharp phase boundaries … between war and peace’, marking the suspension and re-establishment of the rules of civil relations among rival nations, including with respect to trade and investment. For example, the major combatants in the two World Wars promoted ‘warlike mentalities’, government powers were significantly increased, massive shifts in the deployment of human and capital resources were implemented, innovation priorities were changed while customs, attitudes and family life were widely affected, including through laws stimulated by immediate threats to national security. Recessions also mark sharp changes in behaviour and emotions, as well as the rapid introduction of various forms of organization to deal with the social and economic emergencies of job loss (Cooke, 1995; Barnes et al., 2001).

Over the long-term, recession and war provide the turning points for the fifty-year long waves discovered by van Gelderen and Kondratiev (Tinbergen, 1983, p. 13), and in the related TEP model. Thus each TEP or wave comprises a long period of boom that eventually dissipates in increasingly severe recessions culminating in depression. But the causal mechanism underlying crises as turning points remains in dispute. Mensch (1979) argues that long waves result from the temporal clustering of radical innovations that initially feature investment and job generating product innovations. Over time, as markets become saturated and firms become more interested in job-saving processing innovations, the growth-inducing effects of the original innovation clusters ‘ peter out’ in recessions and depression. For Mensch, this period is a ‘technological stalemate’ that is resolved only by another innovation cluster driven, apparently, by necessity. The TEP model considerably modifies this ‘crude’ line of causation between depression and innovation. For Freeman (1987), depression is vital for changing attitudes and behaviour of vested interests, notably managers and engineers. Thus, during depressions, the prevailing common sense underlying engineering (and work organization) principles is effectively challenged, and existing increasingly non-competitive systems are replaced by more appropriate technologies and organizational innovations. However, the historical data on innovation sequencing do not fully support Mensch’s ‘depression-induced accelerator mechanism’ but favor the role of science push factors and the implications of war on innovation patterns (Clark et al., 1983, p. 71). For example, the anticipation and exigencies of the Second World War had greater effects on R&D programmes and innovations of radical technologies, and on the formation of Silicon Valley (Harrison, 1994), than the Great Depression of the 1930s.

After the Second World War, the so-called Fordist boom was fed by technological innovations and rapidly expanding new industries such as jet aircraft, electronics, computers and nuclear power, and by a battery of matching social and economic policies implemented at international, national and local scales that effectively ratcheted demand and supply. In this regard, the legacy of war helped provide the foundations of the remarkable resurgence of the German and Japanese economies for at least three broad reasons. First, in contrast to their behaviour after the First World War, the victorious allies, led by the USA, encouraged the reconstruction of Germany and Japan, in part to solidify the capitalist bloc against the communist bloc within the context of the Cold War. Second, given the conditions of peace that limited military-related investments in the two countries, the distinctive innovation and production systems devel-
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developed in Germany and Japan (Florida and Kenny, 1990; Marshall and Tucker, 1992) were perfected in the ‘civilian’ economy to meet consumer rather than military needs to a much greater degree than in the USA, the UK and France. Third, the War’s devastating effects fundamentally changed attitudes, away from militarism and community-spirited, cooperative creative societies. Drover’s (1999) anatomy of postwar Japan, for example, supports Boulding and Gleason’s (1973, p. 272) claim that ‘The astonishing rate of growth of the Japanese economy since 1945 is unquestionably due in part to the “shock treatment” imposed on Japanese society by the war . . . defeat . . . released a flow of creativity and energy which had not been released before’. Even if earlier achievements in industrialization are recognized (Fruin, 1992), the long-lasting implications of war for societal attitudes in Japan is well taken.

The roles of recession and war as ‘global’ turning points in evolutionary trajectories have been underlined by two recent events with specific local and temporal triggers. First, the Asian financial crisis that began in July 1997 when the Thai baht depreciated has had deep-seated effects throughout Asia, including Japan, that in turn reverberated around the world affecting employment, trade and the financial system (Swyndegouw, 1997; Edgington and Hayter, 2000). Second, the events of 11 September 2001 provide a blunt reminder of the sharp divide, and interdependence, between war and peace. Completely unanticipated, there is a widespread sense that the terrorist ‘bombing’ of New York constitutes another global ‘turning point’, symbolized by President’s Bush’s (global) ‘war on terrorism’. How this new war will shape attitudes, institutions and the global economy is still evolving. National budgets, that as Klein (1994, p. 15) notes, are social value statements, have already been affected. Thus, while the USA defense budget has increased significantly, expenditures on job training and environmental protection have been reduced. National consumption may also decrease as defence spending rises.

If significant as ‘turning points’, how the tensions between forces of change and inertia combine during crises are not straightforward. Crises legitimize change by revealing the inadequacies of old paradigms and encouraging new thinking, but curtail resources available for modernization and R&D while deeply engrained attitudes may be ossified. Old economic spaces must also compete with new economic spaces less fettered by inhibiting traditions. Indeed, geographic difference is a central feature of the dissenting institutional landscape.

Regions as institutions
For Hodgson (2001), the problem of historical specificity is complemented by recognition that geographic differences are to some extent ‘essential’ or fundamental. This respect (within dissenting institutional economics) for geographic difference is founded on the embeddedness of economies in which economic processes are socialized (and politicized), rationality is multi-faceted and that in different places people behave and think differently. Similarly, Barnes (1996) and Storper (1997) respectively claim that the global economy is replete with ‘local models’ or ‘regional worlds of production’ which are significantly different even as they are connected to one another. As Johnston (1984) observes, the uniqueness of regions is not based on their ‘singularity’ or pure ‘localness’, but on the interplay between local (endogenous) and global (exogenous) dynamics. Moreover, global–local dynamics that shape social economies are not abstract, independent forces but instituted and interactive, in which global institutions are controlled outside the local; however the local is geographically defined (e.g. state, county, metropolitan area, community or the generic ‘region’).

Indeed, in a dissenting institutional landscape regions are themselves institutions, albeit complex ones. The idea of regions as (complex) institutions is captured by Holmén’s (1995, p. 58) metaphor of regions as “‘meeting places” for both endogenous [local] and exogenous [global] processes’. As ‘meeting places’, regions are where institutional habits, routines, values and conventions are shared and debated. Regions are complex institutions or meeting places because they organize or feature the interactions of ‘multiple voices’ among multiple institutions that may be complementary or in conflict (Martin, 1994). Thus regions define territories where there are both common values, processes of valuation and regulations, modes of thought, and distinct grooves to local life and/or where there are clashes of values over how the available territory is to be used and what the conventions and regulations should be. Moreover, within regional meeting places, multiple institutional voices express endogenous and exogenous perspectives to varying degrees.
Global–local dynamics as the (institutional) gyre of regional differentiation

As Holmén, (1995, p. 58) emphasizes, the interpretation of regional differences as variants on global trends, in which regions are seen only as ‘mirrors of macro-processes’, underestimates the power of the local and the full implications of embeddedness. Within regions, populations in their various circumstances make choices and create institutions to absorb, adapt, fight and reject globally instituted processes. Simultaneously, these local choices contribute to global processes that have impacts elsewhere. Regions as institutions are sites of coordination and experimentation among complex ranges of institutional perspectives as they seek to plan the global role of local economies and the life of local economies within a global context. Indeed, the widespread (global!) existence of local government and planning authorities testifies to the role of regions in meeting the diverse needs of their populations, by synthesizing (‘sorting out’) global–local dynamics into patterns of land use and activity patterns that underlie local production and consumption systems. Admittedly, some plans work out better than others, and conflict and fragmentation can characterize regions as well as integration and cooperation.

Even in a globalizing world, the causes and character of regions experiencing broadly similar trajectories vary. The interlocking economic and non-economic factors in the downward spiral of cumulative causation underlying the UK’s deindustrialization, for example, differed from the US experience (Weiner, 1981; Eatwell, 1982; Pollard, 1982; Martin and Rowthorn, 1986). The institutional bases of suggestions for the turnaround in USA manufacturing are also not found in the UK where deindustrialization seems now to be government policy. Moreover, at a time when the US was starting to combat long-established racism, in the UK, deindustrialization has contributed to impoverished enclaves within cities and for ‘new’ racial tensions involving ‘non-white’ populations that increased rapidly through immigration after the mid-1960s, just as manufacturing jobs began to disappear.

Global and local institutions are mutually significant and interdependent; each understood only in relation to each other and in practice the global–local distinction is blurred. Thus, as an ideal type, local institutions refer to the strategies and structures, values and attitudes of institutions (whether thought of as organizations, movements and so on) that are mandated and operate within a region or locality, however defined. Global institutions refer primarily to institutions that are controlled beyond these boundaries whether or not they are truly global. Yet the most local of entrepreneurs, indigenous shopkeepers who serve local markets, can scarcely ignore values and tastes that are shaped by global advertising networks. Moreover, whatever their boundary-spanning and scale-jumping abilities, global institutions typically require local presence in some form and this presence is typically shaped by local context. Global localization, for example, means that corporations become global by establishing branch plant that extends their conventions and structures to new regions where local habits in turn modify corporate conventions (Mair, 1994). The hybrid branch factory is a related, specific illustration of this synthesis and testifies to the importance of the interactive adaptation between the local and the global. Many countries and regions around the world seek FDI, not simply to provide jobs, but as a source of know-how and to replace established local traditions with new ones based on best (technological and organizational) global practices. Simultaneously, to maintain viability, MNCs adapt to local tastes, work practices religious beliefs, managerial attitudes, environmental conditions and regulations. In practice, branch plants are ‘hybrids’ of imported and local practice, as studies of Japanese investments in Asia (Itagaki, 1997) and the USA (Liker et. al., 1999) have revealed. Thus Japanese firms that control US auto plants have introduced labour relations’ systems that combine aspects of both Japanese and American practices.

Indeed, regions play significant unique institutional functions – a truly synthetic role – in attempting to coordinate all kinds of global–local dynamics within their boundaries. This synthesis inevitably involves experimentation. In the case of hybrid factories, for example, there are no mechanical rules to define a priori what constitutes ‘appropriate’ forms of hybridization and corporations can impose inappropriate practices on regions while regions can reject potentially important best practices from elsewhere (Soyez, 1988). More generally, the enormously varied and widespread existence of land use (and location) conflicts testifies to the problematic nature played by regions in mediating different institutional concerns. To a significant degree, land use conflicts occur because they comprise clashes of fundamentally different institutional values, each with their own global–local dynamics. A brief
reference to the contemporary restructuring of many resource peripheries is instructive in this regard.

Thus many resource peripheries around the globe have become deeply ‘contested spaces’ featuring deep-seated disputes among different groups of people who represent different value systems associated variously with industrialism, environmentalism and aboriginalism (Hayter et. al., 2003). Among resource peripheries, the nature of this clash differs. In the case of Southeast Asia, for example, Dauvergne (1997) interprets deforestation in terms of the cumulative, interdependent effects of MNCs and by local ‘patron–client’ politics driven by the ‘ecological shadow’ of Japan. He argues that the myriad mutual favors and asymmetric relationships between patrons and clients at the core of traditional societies in the region have been inexorably deepened by burgeoning Japanese demands for wood and organization of timber exports, blurring seamlessly into escalating patterns of corruption and illegal activities. Well-meaning local foresters and global ENGOs have little effect and the cumulative processes are so powerful that the Philippines, the first to be deforested, defines the future for the rest of the region. In British Columbia’s forest economy, US-based trade lobbies, ENGOs and aboriginal peoples are trying to convince the provincial government to ‘remap’ the forests according to their own particular values (Hayter, 2003). The remappers share a dislike for the status quo, but diverge over solutions. Thus while the US interests seek privatization, the ENGOs promote conservation and aboriginals claim new treaties, and each group seeks influence from local and global sources. Indeed, these rival claims have sustained a ‘war in the woods’ that is over two decades long.

Clearly, the geographical scope of debates of how to use resources are not confined to resource peripheries themselves. Indeed, the contours of these debates are globally extensive and are often bewildering. But these spatially unbounded politics are also attempts to remap instituted rights within resource peripheries that will require new creative, locally based institutional arrangements. This remapping is inherently problematic because it requires regions to synthetically engage in normative judgements in how to adjudicate competing, often globally supported claims representing different values, social legitimacies and responsibilities. Elsewhere, in urban cores, land use conflicts involve different kinds of institutional clashes and associated global–local dynamics. Indeed, these widespread battles over land use provide constant reminders that people think that geography matters around the globe. For its part, economic geography has emphasized the continued importance of agglomeration tendencies that geography matters in an age of globalization. The importance of New York, London and Tokyo in orchestrating global flows of financial capital is often cited in this regard (Martin, 1999; Warf, 2000). Contested spaces within and beyond selected agglomerations provide more pervasive and persuasive confirmations of geography’s influence, and that globalization processes have specific local imprints and vested interests.

If global–local dynamics create all kinds of economic geographies around the world, a fundamental concern is whether their (internal and external) differences are good or bad.

**Difference as good and bad**

Martin (2001) is rightfully shocked at deepening patterns of inequality in the UK, especially noting socially and economically impoverished enclaves that were once integral parts of thriving industrial cities. Over forty years ago, Myrdal (1957, 1968) expressed similar dismay at much greater inequalities on a global scale. Unfortunately, his pessimism for widening global income gaps continues to be expressed. Capitalism’s dynamism and adaptability continues to simultaneously generate inherent problems of inequality. Uneven outcomes, including regional differentiation, are socially justifiable as rewards to innovators, the producers of goods and services in demand, and to reflect alternative roles within a deepening division of labour. Simultaneously, wealth generation is a cumulative process; each new generation begins from different starting points in terms of assets, information and networks regardless of ability, while ‘disproportionate power’ further distorts processes of wealth allocation. Initial conditions of poverty are too frequently reinforced. Regional disparities, in short, are created both by processes of innovation and exploitation.

For Myrdal (1957) and Martin (2001), profound regional and local differences in income and consumption are ‘bad’ (destructive) for moral and social reasons. Deprivation and social exclusion are moral wrongs that violate global and local rights of ‘citizenship’. In this view, citizenship conveys some sense of entitlement to minimum degrees of welfare or standard of living. Globally, these rights...
may be thought of in terms of minimum levels of food, shelter and education (Seers, 1972) while local rights are relative to regional context (Smith, 1989). Moral indignation over poverty is reinforced by social imperatives which recognize that broader community interests are sacrificed by the failure of marginalized peoples to contribute towards productivity and demand from which society as a whole benefits. On the other hand, regional differences are ‘good’ (creative) to the extent that they seek alternative ways to realize human potential. The achievement of socially based learning-based regional economies and cooperative forms of regional development (Patchell, 1996; Storper, 1997) illustrates progressive forms of regional differentiation, and examples can be extended to resource-based economies in less technologically advanced countries. Unfortunately, it is not easy or even appropriate simply to clone and transfer the institutional conditions underlying successful to less successful regions, as both types are embedded and path dependent. However, these processes are tendencies that are created and maintained by institutions and their networks, and possibilities to reconfigure institutions to reduce inequalities are always present.

The central normative challenge for economic geography, as dissenting institutionalism, is to define and celebrate good, creative or legitimate regional differences while seeking to contribute to institutions that will reduce bad, destructive and illegitimate regional differences. For economic geography, I suggest that this challenge is the core of the politics of globalization. On the one hand, localism qua ‘enclavism’ is a problem if local development aspirations are suppressed by a lack of integration with a wide world of opportunity. On the other hand, globalization qua ‘neoliberalism’ is a problem to the extent that global institutions widen ‘bad’ regional differences while eliminating good differences. Such a double whammy occurs, for example, when global capital truncates local development aspirations while simultaneously undermining locally prized conventions, habits and regulatory powers.

The articulation of good and bad regional differences requires economic geography to contemplate ‘moral’ issues and make explicit the value base of its judgements, as long advised by dissenting institutional economics (Boulding, 1971b; Myrdal, 1972; Klein, 1994). For economic geography, a priority is to articulate shared and conflicting values within regional meeting places, as they are formed by the interaction of global and local institutions (Holmén, 1995). From a policy perspective, an important, enduring task is how to regulate capitalism to meet social, community or ‘collective oughts’ in a way that fulfills efficiency and equity criteria. Dissenting institutionalists have long been sceptical of the (neoclassical) ‘trade-off illusion’ that more equity must mean less efficiency (Kuttner, 1984; Daly and Cobb, 1994). Alternative positive sum policies, however, are not easily constructed. Beliefs in ‘trade-offs’ are deeply felt in policy-making forums; nations and regions have become increasingly open to outside forces; and unintended effects of policies are pervasive. Nevertheless, concerns for better social bargains can and should have economic rationales, and vice versa. Globally, a significant challenge is ‘rethinking development’ in ways that will resolve the environmental crisis (Brohman, 1996). For many observers, the dilemma is that economic growth and development is a trade-off with the environment. In this view, the North–South divide is likely to become a Brown–Green divide in which no one wins, given that environmental destruction has global impacts. In contrast, Freeman (1992) argues that technological change is a social process that responds to (changing) economic and social priorities. In his Green TEP, the positive sum challenge of innovation is to create matching institutions and technologies that are motivated to resolve the environmental crisis without sacrificing the developmental aspirations of poor countries.

Conclusion

Within the context of legitimate applause and no little self-congratulation for economic geography’s engagement with theory over the past several decades (Scott, 2000), Martin and Sunley (2001) bluntly observe growing frustration over conceptual proliferation, vagueness and a demeaning of empirical work, or simply put, for faddism. Theoretical multiplicity certainly seems to be the order of the day (Yeung, 2003) while various kinds of institutional, cultural and relation turns overlap, not without ambiguity. The answer to faddism need not nor should be a theoretical monopoly. Alternative approaches are welcome because, as Myrdal (1972: viii) stated ‘progress in social science lies through controversy, which should be sharpened and not veiled’. However, if faddism is a problem then the sustained engagement and elaboration of established – and critically debated – ways of
thinking is needed (Bathelt and Glücker, 2003). In this spirit, this paper has revealed the continuity and coherence of dissenting institutionalism as one such approach that connects closely to the institutional turn advocated by Barnes (1999), Martin (2000) and Thrift and Olds (1996) for economic geography. For Martin (2000, pp. 82, 86), the central challenge of such a turn is to conceptualize geography. For Martin (2000), and Thrift and Olds (1996) for economic geographical processes of institutional transformation, a challenge that can perhaps be sympathetically and modestly restated as the need to understand ‘institutional processes of local stability and transformation’. This paper has sought to meet this challenge, notably by interpreting regions as institutions that are formally and informally engaged with the coordination, synthesis and experimentation of interdependent, instituted global–local processes.

The idea of regions as institutions qua meeting places confirms recent trends within economic geography that favour regionally focused analyses and revitalized regional geographies (Holmén, 1995). Regions are neither simply mirrors of macro-processes nor convenient units to (statistically) demonstrate the existence of regional differentiation. Rather, regions play unique roles in synthesizing, coordinating and experimenting with interdependent instituted global–local dynamics. This advocacy is not to discount research that focuses on the geopolitical–social economy of institutional processes as they cross–cross boundaries, sometimes at bewildering speed and with scale jumping prowess, around the globe. But people still live in places – regions – where global–local dynamics in their totality work themselves out and can only be fully understood in regional contexts.

As economic geography has become more (theoretically) concerned with regional differentiation, rather than spatial order, there is also recognition that theory-making itself has become different. Thus Barnes’ (2001) distinguishes epistemological and hermeneutic theorizing within contemporary economic geography. At the risk of over-simplification, the former emphasize logical constructions and evidentiary while the latter emphasize ‘different’, unusual perspectives within which systematic empirical work is/may be of little consequence. With its celebration of difference and the need to understand ‘multi-perspectivism’ (Martin 1994), dissenting institutionalism would seem to ‘fit’ into hermeneutic approaches. However, I would caution against too facile a correspondence. As Hodgson (2001) makes clear, logical consistency of reasoning remains at the heart of dissenting institutionalism’s elaboration of theories that represent social interests (and collective oughts), and differences that are judged good or bad require social rationalie. Moreover, dissenting institutionalism takes no offence with empiricism; on the contrary, theory, observation and measurement are seen as interdependent processes that require each other. Perhaps dissenting institutionalism may be thought of hermeneutically epistemological (or vice versa); many economic geographers continue to make claims to regional differences on the basis of theory and carefully constructed fieldwork.

Notes

1. Perhaps not surprisingly in these eclectic times there are attempts to integrate dissenting institutionalism and the new institutional economics (see Vromen, 1995).

2. Wagner’s (1960) classic study can be considered in modern terms as an economic geography with a ‘cultural turn’ or vice versa. It articulated a ‘symbiotic’ human geography that intertwines economic, cultural and ecological considerations. Wagner drew on Polanyi’s (1944) concept of exchange as a basis for a global classification of human societies that emphasizes their adaptive, evolutionary nature. Incidentally, Wagner (1960, pp. 200–207) probably introduced to geography the concept of ‘production chains’, that incorporated service as well as manufacturing activities and further distinguished ‘consumer chains’ (p. 209). Sjöberg and Sjöholm (2002, p. 472) date the interest in production chains to no earlier than 1980, either in economics or economic geography.

3. Hayter and Barnes (1990) refer to the institutions, technology and geography triad, and Storper refers to the organization, technology and territory triad. Clearly similar, the former are concerned with resource economies and draw specifically from Harold Innis and the so-called Innisian school of political economy in Canada, while Storper (1997) focuses on industrial economies and draws on a more eclectic range of concepts. Institutional economists have also developed related frameworks (see Gordon, 1980).

4. In Boyer and Saillard (2001), for example, only one short chapter explicitly contemplates technical change.

5. Globally, Nelson (1988, p. 325) argues that, in comparison to the former centrally planned economies of the Soviet bloc, capitalist countries ‘solved the institutional assignment problem not optimally, but reasonably well’ because they created diverse R&D systems that centred around in-house R&D designed to provide ‘firm-specific advantages’ and policy choices about local innovation systems.

6. Clark et al. (1983) analysis indicates further that the clustering or ‘swarming’ of innovations occurs in all phases of the business cycle and varies by sector. As one example, they note that an important innovation cluster in Germany’s plastics industry in the mid 1930s occurred in the ‘upswing’ of the business cycle, and was due less to the context of depression than to the quality of German chemists and Hitler’s preparations for war. In this view, Schmookler’s (1960) ‘demand pull’ thesis that innovation patterns respond to business cycle pulses becomes relevant largely after new innovation clusters are established, and mainly with respect to incremental change.
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