Chapter 1
A Geographical Approach to the Economy

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Aims:

- To understand the assumptions used by economists in understanding the economy;
- To recognize the limitations of economic approaches to the economy;
- To appreciate key concepts in economic geography.

1.1 Introduction

In 2005, Niger in West Africa seemed to be on the brink of widespread famine (see Figure 1.1). More than three million people (around one third of the country's population) were suffering from severe hunger. While crops had been planted, by the middle of 2005 they were still a few months away from being harvested and food stocks from the previous harvest were running dangerously low. Those stocks were smaller than usual because of a drought and locust infestation in 2004, which resulted in reduced yields.

International media organizations and developed country governments started to take notice, and pictures of skeletal children and women lining up for food aid, along with desperate pleas for further aid, were broadcast around the world. In the United States, PBS aired a segment on the crisis in Niger on August 4th 2005 during The Newshour with Jim Lehrer. PBS is one of the country's most respected broadcasters, and The Newshour represents perhaps the most cerebral of all newscasts available in the US. Conscious, however, of its viewers' need to match a picture and a headline with the story, PBS had a logo designed for the occasion (see Figure 1.2). Against the backdrop of the African continent, the logo featured women clutching emaciated children, one of them plaintively holding out a bowl, presumably to receive a ration of food aid. We will return to this image later, but first we will hear from the show's reporter in Niger, who set the scene for the broadcast. His commentary reveals some important insights into who is affected by famine, but it also reproduces a number of commonplace assumptions about how economic processes work and how we should understand them:

> At first glance, you wouldn't think there was anything wrong in Masochi [a village in Niger]. There's poverty, yes, but then that's a way of life here. It's only when you come across children like this little boy that you realize the village has a problem: He's two years old and has chronic conjunctivitis; he's struggling to see as flies feast on the discharge from his eyes. Suddenly, we were presented with at least a dozen children with similar problems.

> Classic signs of malnutrition: Distended bellies and discolored hair. Their mothers showed me what they were feeding their children: Two ladles of watery looking porridge per day…
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> These children are of course so vulnerable because they've had nowhere near enough to eat. But although it might look like it, the disaster taking place here is not the result of famine. And this is why: [in the] market about ten minutes walk from that intensive care unit… there's plenty of produce on sale. [S]acks are stuffed full of onions and sweet potatoes. The problem is that millions of people in this country just can't afford this food.
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> Aid convoys are slowly making their way across this vast country, but there's food being pushed around here by the cartload. Up country there are areas where it's difficult to find any really young children. In this tiny village, six have died in the last two months. It's weeks until the next harvest, so in the meantime the older ones are being fed weeds. (Geriant Vincent, The Newshour with Jim Lehrer, PBS, August 4th 2005, http://www.pbs.org/newshour/bb/africa/july-dec05/niger_8-04.html, accessed May 4th 2006)

The report vividly portrays the desperation and human misery of food shortages and disease. But it also points out that famines are not necessarily the result of absolute food shortages and environmental calamities – they often have more to do with the (market) *distribution* and *allocation* of food than the amount of food being grown. While climatic and environmental factors do play a part, they do not fully explain why some people in particular places go hungry. They are hungry, the reporter notes, because they do not have enough money to buy food. Both within the village, and globally, we are therefore seeing a phenomenon that is not so much about food production, but about how we construct economic arrangements to share our planet's resources.

We start this chapter with a profound economic problem in order to highlight what is at stake in understanding our economic world. But we have also deliberately drawn attention to international media coverage of that problem because a key purpose of this book is to think carefully and critically about *how* we understand economic processes. The economic world around us is usually explained by economists. As an academic discipline, economics has achieved a notable dominance over popular understandings of how the economy works and, more importantly, how economies should be managed and economic problems such as poverty and famine should be solved. Economics, however, approaches the economy with a great many simplifying assumptions, designed to render economic processes knowable and manageable in quantitative and technical terms. We elaborate on these assumptions in section 1.2.

Through most of this chapter, we will pursue the example of Niger as a grounded case study of the contrasts between an economist's and a geographer's approach to the same problem. In section 1.3, we suggest how economic geography would offer something different in understanding the specific phenomenon of the 2005 famine in Niger. We do not provide comprehensive explanations for the

events in Niger – that would be another book in itself – but we do outline some of the questions that economic geographers would ask and seek answers for. For example, a geographical analysis would carefully examine the positioning of Niger in a global pattern of uneven development and consider the ways in which the country is integrated into processes of globalization. It would also examine the spatial patterns of famine *within* Niger, thereby uncovering the uneven impact of food shortages and the difficulties of traversing the country's landscapes. Beyond spatial patterns, geographers are also concerned with the specific characteristics of particular places. In this way, a rich understanding of famine in the local context can be built based on analyses of environmental degradation, Nigerien social structures, the characteristics and capabilities of the national government, and many other localized features. At its core, then, a geographical approach is about *understanding patterns and processes in space and the particularities of places*. This represents a contrast to the abstract and generalizing tendencies of economists. At the end of the chapter we again highlight these contrasts, but this time using a very different set of economic processes an ocean away – the workings of the financial market in New York City.

1.2 Poverty and economics: explaining what went wrong

We pick up the story in Niger again by returning to the PBS broadcast. After hearing from its reporter on the ground, the programme then turned to a guest expert, an *economist*, for further insight into the looming famine. We will quote at length from the exchange that ensued as it illustrates how the crisis was understood (and how the media sought to construct that understanding). The studio anchor, Margaret Warner, conducted the interview, which is reproduced in Box 1.1.

Where does this exchange leave our understanding of famine in Niger? Is it simply an economic problem of food shortage and high food prices? The issues of drought and locusts are again raised to explain poor harvests – the role of natural disaster is never far away. Nevertheless, the correspondent's earlier point about the famine being a problem of poverty rather than food production is reiterated. Ultimately, then, this is an economic problem rather than an environmental one, but the root causes of poverty itself are not actually addressed in this exchange. We are told that people starve because they are poor, but we are not told, ultimately, *why* they are poor in the first place. Instead, the discussion moves on to address two issues – the response to the crisis and the longer term solutions that might be found. With respect to crisis response, the difficulties of getting food aid into the more remote parts of the country are acknowledged, but the abilities of the Niger government to manage crisis and use aid efficiently are also questioned. On the longer term solutions to the problem, we are told that the core problem is a lack of productivity in Niger's economy. Such productivity increases, we are told, will come from investment in people and infrastructure. In short,

what Niger needs is capital investment, and such investment has to come from the 'international community'.

This is not a perspective that is unusual. Jeffrey Sachs, a high profile economist who advises the Secretary-General of the United Nations (UN) on development issues, has argued that 'ending poverty is a grand moral task, and a geopolitical imperative, but at the core, it is a relatively straightforward *investment proposition*' (Sachs, 2005a; our emphasis). Sachs goes on to suggest that if the US and its rich allies fulfil their long-standing pledge to provide 0.7 percent of their national income to finance development aid, we can win the war against extreme poverty. For Sachs, however, the root causes of poverty are 'geographical'. In his book, *The End of Poverty* (2005b), Sachs argues that 'geography is destiny'. A country will be poor if it has a location that is inaccessible, an environment that is prone to disease, an extreme climate, and fragile soils:

> In all corners of the world, the poor face structural challenges that keep them from getting even their first foot on the ladder of development. Most societies with the right ingredients – good harbors, close contacts with the rich world, favourable climates, adequate energy sources and freedom from epidemic disease – have escaped extreme poverty (Sachs, 2005b: 47).

The required investment, then, is to overcome the natural disadvantages dealt by geography.

International financial institutions are inclined to agree. In a diagnosis that has direct implications for the investment that is available to a country such as Niger, the International Monetary Fund (IMF) and the World Bank provide a specific list of factors that explain the country's poverty:

> …limited resources, the climatic conditions, the weak development of income-generating activities in rural areas, strong demographic growth, the scarcity of arable land and environmental degradation, as well as the inadequacy of basic infrastructures (IMF, 2005: 8).

Thus, climate, natural resources, environmental degradation and scarcity of land are all seen as natural 'limits' on growth. In fact, in the list provided in this quote, only demographic growth and basic infrastructure can actually be addressed. The answer, therefore, is to control population growth and to build infrastructure to attract capital investment. Once again, we are back to the need to invest capital in order to grow, and the sources of such capital are international investors like the World Bank.

All of these diagnoses represent the application of prevailing economic orthodoxy to the specific case of Niger. It is a powerful, yet simplifying, orthodoxy that tends to homogenise the economic world in a way that economic geographers try to avoid. We identify four components to the economic orthodoxy.

The first is *universalism*, which implies a one-size-fits-all approach to poverty, development and other economic processes. It is represented by the belief that economic processes will work the same in every context and that growth will result from the right stimuli. Basic health, education and infrastructure are seen as the precursors to inevitable growth based on whatever natural advantages a country might have (which in the case of Niger might relate to mineral resources and a labour force that is plentiful and very inexpensive). Furthermore, growth is assumed to move along a trajectory of development in which countries gradually become more and more like those industrialized countries from which such diagnoses are made. Hence, for example, the notion in the interview quoted above that Niger is not yet a democracy *like us* "just yet", but is on the path to towards that goal.

The second assumption evident here is that economic *rationality* always prevails. In many ways this is an extension of the idea of universalism. For economic principles to apply everywhere it is necessary to assume that people will respond in predictable and rational ways to 'market signals'. Individuals are treated as isolated actors who make judgements in order to maximize their economic gains. This is often known as the *homo economicus* ('economic man') assumption. Under this assumption it is, for example, seen as 'natural' and expected that food traders in the market should demand massively inflated prices for food even while some people go hungry – self-interest is 'normal'. This assumption thus makes the concept of famine in the context of food availability a notable but perfectly understandable phenomenon. The problem is seen as being located in the inability of certain people to pay for the food, rather than the artificially high cost of the food.

The third assumption concerns *competition* and *equilibrium* – the notion that the market mechanism will always find the greatest efficiency and productivity. It is a basic principle of economics that equilibrium can be achieved through perfect competition in the market. This equilibrium produces a situation of maximum economic efficiency when supply meets demand at a particular price. Thus, by opening up to international investment, Niger will be incorporated into a global economic system that will naturally find the sources of growth that are appropriate to that context – exporting raw materials from the uranium mining industry, for example. As Niger competes in the global economy we are told that it will inevitably benefit.

The final assumption is that economic processes are based on certain *laws* and *principles*. This relates closely to the previous three points, but it also draws attention to the assumption that practitioners of economic 'science' have insights into the predictability and operation of certain fundamental processes. These processes are often, therefore, reduced to formal statistical models in which only

quantifiable processes can be accommodated. The insights of economics are often taken, however, to be the equivalent of the expertise of natural scientists concerning processes in physics and chemistry. Thus while PBS sought a description of the situation from its reporter on the ground, it turned to an economist for expert analysis of the reasons behind the crisis.

1.3 Geographical perspectives on the economy

Having established the ways in which economists 'read' the situation in Niger, in this section we introduce the distinctive set of geographical sensibilities that can be applied to understand the situation there. While 'geography' enters the vocabulary of some economists, notable Jeffrey Sachs, what we have in mind is very different from the environmental and locational determinants of poverty that he spells out. Instead we argue that a geographical approach puts such spatial concepts as *space*, *place* and *scale* at the centre of analysis, while also remaining conscious of how these concepts are *represented*. They form part of the common language that is shared among professional geographers. We will introduce each of these concepts with reference to the example of Niger, but it is also worth noting their relationship to broader intellectual traditions that have developed over time in the field of economic geography. These are described in Box 1.2.

Space

In its most fundamental sense, space refers to physical distance and area. Every economic process must exist 'on the ground' in a bounded area and at some definable distance from other activities. This definition of space entered scholarly work in economic geography during the 1950s and 1960s when location theory held sway (see Box 1.2). In Figure 1.3, this is represented by the flat plane that forms the surface on which places are located. It would seem to be common sense that all human and environmental processes happen *in space* in this way, and yet it is not unusual to find that abstract processes are discussed without any sense of how relative distance and location might play a part. A prime example was described above, whereby an understanding of Niger's economic problems was based on an abstract theory of how the economy 'should' work, without any sense of *where* Niger is located in global space.

We can elaborate on this notion of space by defining four interrelated elements of the concept. The first relates to *territoriality and form*. Niger is a territory defined by lines on a map and jurisdiction on the ground (see Figure 1.1) – jurisdiction that is clearly bounded in certain locations, for example at border crossings. Importantly, Niger's territory takes on a particular form – a contiguous and landlocked territory. Furthermore, this spatial expansiveness is marked by unevenness in infrastructure, resources, and even the reach and effectiveness of the government. The country is not

a point on a map – it is, as the TV interviewer quoted in Box 1.1 reminded viewers, a country twice the size of Texas. The first question that might arise in relation to famine in Niger, then, is 'where in Niger?'. A sense of Niger's territoriality thus straight away provides a more nuanced set of questions about what is happening there.

A second dimension of space, beyond its form, is *location* within space. Indeed long before most of us would ask 'where *in* Niger?', we would most likely be asking 'where on earth *is* Niger?'. This notion of space concerns the coordinates of a location in relation to others. The location of Niger in global space is important, as we shall show below. With geographical location come the environmental characteristics emphasized by Jeffrey Sachs – climate, ecological features, and so forth. No one would deny that the country's location in belts of Saharan desert and savannah grasslands is materially important in understanding the resource base on which its economy rests (although the *use* of these resources is a separate and more important issue, as we will discuss later).

Location is also important in terms of the country's significance (or rather insignificance) to global geopolitics. Unlike other countries that have developed rapidly over the last 50 years, little is at stake in Niger for the great powers of the world. In contrast, it would be impossible to understand the processes that led to the economic successes of countries such as South Korea and Japan without acknowledging their significant geopolitical location in a world region that was deeply divided during the Cold War between the Soviet bloc and the West. Their economies were supported, and their successes tolerated, by Western allies in a way that would have been unimaginable without their geopolitical significance, located adjacent to communist China and the Soviet Union. Niger, meanwhile, has no such geopolitical significance and so it tends to require scenes of profound human misery before any interest in its fate is mustered by Western governments and media. As noted by the economist in Box 1.1, helping Niger is a 'humanitarian imperative'. Its priority in the eyes of wealthy nations such as the United States, however, may be easily replaced by other strategic initiatives. We thus need to know where Niger is located – both physically and geopolitically – in order to understand its position in the priorities of the global political and economic order.

A third dimension of space helps us examine the situation of Niger in relation to *flows across space* (see Figure 1.3). A careful reading of the diagnoses of Niger's plight offered by the expert economist quoted in Box 1.1 and the IMF report described earlier would suggest that the causes behind its problems are essentially *inside* the country. Poor resource endowments, low productivity, natural disasters, environmental degradation, inadequate infrastructure, over-population, inefficient government – all relate to processes contained within Niger's borders. None of them recognize the

significance of Niger's connections and relationships with the outside world. The historical roots of Niger's economy (and indeed its definition as a national entity) in the French colonial period that ended in 1960 have created an economy and a set of dependent international linkages that continue to the present. In 2004, 41 per cent of the country's exports went to France. In the same year, the only direct long haul flight out of the airport in the capital city Niamey went to Paris.

Another dimension of Niger's positioning in international flows is its trade balance. The country imports approximately US$360 million more than it exports – a shortfall that is greater than the total budget of the national government. In reality, then, the country's international economic linkages constitute a yearly extraction of wealth from what is already one of the poorest countries in the world. This trade deficit is only just offset by annual aid and development assistance contributions (and as a staunchly Islamic nation, much of this aid to Niger comes from other Islamic countries). A recognition of the importance of flows across space can also be applied to relationships *within* the country. The PBS reporter quote earlier noted that 'up country' there were villages with almost no young children because of famine-related deaths. Clearly we would therefore want to ask what kinds of resource flows exist across Niger's national space – flows that leave certain people in rural food-producing areas with less food than their urban counterparts.

The fourth and final role of space in our understanding of the poverty that afflicts Niger is rather more abstract and draws upon the Marxist tradition in economic geography (see Box 1.2). In short, it is possible to construct an argument that unevenness of wealth and development across space is not an anomaly that economic processes will eventually iron out – as assumed in the general equilibrium models in economics. Instead, uneven development is a fundamental and necessary characteristic of the capitalist system through which our global capitalist economy is organized. Thus, rather than seeing equilibrium as a natural state of affairs, some would argue that unevenness is an inevitable outcome of capitalism. If we understand the global capitalist system in this way, then Niger's poverty and hunger are necessary parts of the system. Only through such destitution are the raw materials that the country exports kept inexpensive. And only then are the lifestyles of those of us in wealthy countries sustained. For example, without Niger's uranium, the nuclear power plants supplying electricity in many parts of the developed world could not operate. In a sense, then, *we need* the poverty of others in order to keep ourselves in affordable comfort. We will explore this idea in some detail in Chapter 3, but it is worth highlighting here as it opens up a rather different notion of space, one in which spatial unevenness is a necessary part of our global economic system.

Place

A second set of geographical concepts relates to the *specificity* of particular places. We noted earlier how mainstream economics tends to create universal principles that are assumed to apply equally in all contexts. Geographers, in contrast, tend to focus on the specificity and uniqueness of places. This goes back to the tradition of geography that sought to provide detailed descriptions of regions that integrated both physical features and social processes, but it is also a feature of the so-called 'new economic geography' (see Box 1.2 again). In both cases, the emphasis on place draws upon a strong geographical tradition of empirical fieldwork – requiring a detailed understanding and lived experience of a place as necessary conditions for generating knowledge about it.

Nevertheless, 'place' is a very vague notion. When we use the word, it can refer to anything from a shop or street, to a region, a country, or a continent. We will return to these multiple scales later on, but for now the important point is that the concept of place relates to somewhere *in particular*, whatever the scale involved. This might seem very obvious, but the imperative to think about economic and social processes in particular places forces us to consider them not as vague and abstract forces somewhere 'in the air', but as real and lived experiences on the ground. Thus while economists are seeking universally-applicable generalizations, in some ways geographers are going in the opposite direction – trying to understand why certain things happen in specific places in the context of all the richness and complexity of that place.

Clearly this is a massive and complicated undertaking. It means that in trying to understand famine in Niger, we are not just arriving with a set of assumptions for which we will collect evidence. Instead, we are seeking to understand how economic processes are deeply embedded in an environmental, social, cultural, institutional, and political context. First, we might start by examining what exactly we mean by 'the economy' in Niger. We have seen an economist's explanation that food shortages occurred because people could not afford to buy food. But this indicates that a whole range of other sources of food were exhausted too. Imagine, for a moment, what *you* would do if you did not have enough money to buy food. Most likely you would be fed by a relative or friend, or you would borrow some money. But you might also have access to free food through a workplace or through a charitable community organization, or you could have something edible growing in your garden, or have access to someone else's crops by hopping over a fence into a field or an orchard.

In any given place, people will have a variety of ways in which they acquire food – not all of it, perhaps not even most of it, would come from buying produce at the market. We could start, therefore, by trying to understand what comprises this bundle of sources for the most vulnerable people in Niger, and examine why all of their various means of coping broke down. In other words,

we would take a more comprehensive view of 'the economy' than the one based on formal monetary exchange and the meeting of supply and demand in the marketplace that is the foundation for conventional economic analyses. Once we know the diverse forms of the economy, we might work towards supporting them, rather than applying a one-size-fits-all approach to poverty based on 'big' capital investment in infrastructure. This is precisely the approach to the economy that we will explore in Chapter 2.

Another way of understanding the place-based specificity of Niger would be to ask about the structure of its *society* and *government*. There are a variety of questions we might ask. We know that not everyone was affected by food shortage, so how exactly were its effects distributed across the population in relation to various dimensions of social identity such as age, gender, ethnicity, and so on? If specific groups appear to have been most affected, such as rural landless labourers, or women and children, would the kinds of solutions being proposed – such as infrastructure and agricultural productivity – help them directly? In fact it might be that inequalities in the society would simply be accentuated by these solutions – intended or not. It would also be important to know about the relationship between large landholders and politicians and the role that the government plays in economic processes, such as cropping decisions by farmers, irrigation schemes, and the marketing of produce. All of these questions require detailed and place-specific answers – they require going beyond the headline story that trumpets 'another' famine in Africa, to actually understanding the complexity of a place and its relationships with the rest of the world.

In short, the characteristics of places are unique assemblages of a huge array of political, economic, social, cultural and environmental factors. These features are built up gradually and incrementally, so the characteristics of Niger (and places within it) are the products of historical layers of change over time. Thus colonialism, for example, left an array of economic legacies and bequeathed a set of political institutions and practices. But these, in turn, were superimposed upon a pre-existing set of cultural, political, and ecological practices. And the legacies of colonialism have, in turn, been taken in certain directions by Niger's post-independence history. This continual accretion of place-based historical legacies will be discussed further in Chapter 3.

Finally, while we have, in this section, primarily focused on the internal characteristics of a place, references to colonialism and contemporary flows of trade and aid make it clear that places are as much created by their relationships with the 'outside' as they are by things that happen internally. Niger, as a place, is a unique intersection of various relationships and flows that intersect there. The same could be said for specific places within Niger. Each place is, then, the unique intersection of its

past and present engagements with broader flows. For those reasons, in Figure 1.3 we depict places as having a depth, a layering, and a uniqueness – depicted, in the diagram, as a bar code.

A geographical approach to the economy seeks to understand and problematize the elements of uniqueness that arise in particular places. Niger has issues that cannot be encompassed by generalized and abstract ways of thinking prevalent in economic analysis. The universal rules and assumptions that characterise economics tend to gloss over the distinctive contextual circumstances that shape the causes and the solutions to famine and poverty: ecological systems and adaptations to them, including farming and pastoral practices; political structures and power relationships; gender relations; ethnic identities; various legacies of colonialism, and many more. A geographical approach takes most, if not all, of these issues as analytical problems to be studied, understood, and eventually resolved.

Scale

In the last subsection we focused on the analysis of difference and uniqueness as a core geographical approach. In this sense, a place is simply a defined site for exploring idiosyncrasies that have developed in relation to other places and over historical time. But we have not yet defined what a place actually *is*. Indeed, we noted that places may take all shapes and sizes – from a street or village, to a nation, and even a continent – just so long as it is a specific piece of territory that is being discussed. This brings us to a third geographical concept that helps us to organize the world of space and place around us, namely geographical *scale*. Clearly there are differently sized units that might constitute places carved out of space and we provide an organizing framework for understanding these units by using the language of scale. This provides us with a typology for describing the various scales at which we might find some coherence in the processes that are at work (see Figure 1.4).

At a *global* scale, we have already noted the kinds of unequal economic exchanges in which Niger is engaged. More specifically, however, we could consider the case of the global uranium industry. As a mineral that is needed for nuclear power generation and weapons manufacture, uranium is much in demand. Yet, just 10 countries control 96 percent of the world's reserves, with Niger among them. However, the process of enriching uranium, essential for its subsequent use, is carried out almost entirely in the United States because of its military and geopolitical implications. The highly restricted nature of this prized commodity at the global scale and the lack of an internationally accessible market for it, mean that the potential for Niger to benefit greatly from its uranium endowment is limited.

Another scale at which we might understand Niger's economy is at the level of the sub-Saharan *macro-region*, where common environmental and colonial experiences exist. The similar circumstances experienced by neighbouring countries also explain why food was scarce across the region in 2005 – neighbouring Burkino Faso, for example, banned food exports and thereby exacerbated the market shortages in Niger.

Other processes, however, can only be understood at the *national* scale defined by Niger as a territorial state. During the food shortage in 2005, for example, the national government initially refused to provide food hand-outs, preferring instead to offer subsidized grain supplies to areas affected by the shortages. Clearly, such policies have to be understood in relation to a national political system. The national scale is also important in a variety of other ways. As the first two sections of this chapter illustrated, the challenge of food shortage gets defined by outside experts and media pundits as 'famine *in* Niger' (i.e. a national issue). The solutions that are then presented by economists and aid or lending agencies are *national* level policies: signing on to trade agreements, providing investment incentives, implementing birth control, and developing infrastructure.

But we have also noted that hunger in Niger was spatially as well as socially uneven. Different people and places were affected in various ways. We do, therefore, need to look at *sub-national* scales in order to understand this unevenness. The Tahoua and Maradi districts of Niger in Figure 1.1 were especially afflicted by hunger in 2005, as livelihoods there were largely dependent on agricultural crops. Also, the famine was largely a rural, rather than an urban, phenomenon.

Finally, we can examine the nature of famine in towns or villages that we often refer to as the *local* scale. Access to agricultural land or grazing rights, money lending, and retailing are all parts of the system through which food access is determined and are all, in part, constructed at the local level. The PBS reporter quoted at the start of this chapter focused on experiences of famine in the village of Masochi and pointed out that starving children in an intensive care unit were just a few minutes walk away from food being carted around in large quantities at a local market. Uneven access to food is clearly created in part through the way in which society operates at the village level.

There are, then, a variety of scales at which we might construct an analysis of famine in Niger. The important point, however, is that none of them in isolation is adequate to develop a comprehensive understanding. In fact, the spatial relationships and place-based processes that we have noted are operating within and across all of these scales. An important part of a geographical approach is therefore the awareness of how economic processes are constituted at *multiple* scales simultaneously.

This was notably absent in the analyses of economists and international financial institutions quoted earlier: each located the causes of famine squarely within the national context alone.

Representations of space, place, and scale

So far, we have focused on geographical language and categories as *descriptive* of the spatial characteristics of the processes we are analysing. But the ways in which space, place, and scale are discussed in everyday life (as well as in academic and political contexts) means that these terms are not just descriptive. Instead, a type of space, or a particular place or scale, becomes soaked in connotations and implied meanings. In other words, they are not simply neutral tools for describing the world; they are also *representations* of the world.

We can start illustrating this idea of representations by exploring the ways in which types of spaces become represented in particular ways. It is common, for example, to see poverty in Africa as closely associated with desert and grassland zones. These ecosystems are represented as dusty, desolate and unsuitable for human habitation. In reality, adaptations to such environments have made them homes to many people for a long time, but the Eurocentric association between a type of space and its habitability makes deprivation in such a space seem *inevitable* or *natural*. We might make similar points about spaces such as 'the village' or the 'Third World'. Both are generic types of space but ones that conjure up particular notions of what happens there and assumptions about those who live there.

While these representations concern generic types of space, a closely related form of representation is associated with specific places. This can best be illustrated with some examples that have been left un-analyzed since the beginning of this chapter. In the account from the PBS reporter, he notes that 'there's poverty, yes, but then that's a way of life here'. We also noted that PBS provided its viewers with a logo depicting an African woman holding an emaciated child, with an arm stretched out as if asking for food (Figure 1.2). Both of these examples act as representations of a place – namely Niger – but they also tie into representations of Africa as a whole. In short, Africa is represented in these textual and graphical descriptions as a place of poverty, hunger, drought, locusts, and deserts. In this place, poverty is represented as 'natural' – it is 'a way of life'.

Ultimately, this is a very powerful representation. It provides a narrative for understanding suffering that somehow makes it comprehensible and perhaps even ignorable by the public and their politicians in wealthier countries. If hunger is natural in Africa, then no one can be responsible. If poverty is a way of life then why would we intervene? It does not seem to be our 'business' because

it's a way life 'over there'. But this representation is, of course, obscuring the reasons for poverty and hunger. Not everyone in Niger was starving, nor is Africa a continent defined by desert and drought. By representing places in this way we cast a veil over inequalities and differences *within* those places and more importantly we ignore the relationships *between* such places and the world in which we *all* live. By colouring a place with a particular representation, all of the subtleties of a place such as Niger that we discussed earlier are blocked out.

Scale too can be constructed in ways that are misleading. If we represent just one scale as the defining container for understanding a phenomenon, then we ignore the processes that operate at other scales. Hence an emphasis on the national scale serves to ignore the global relationships that shape a country's poverty. But equally, an emphasis on the global scale would obscure national systems of inequality that cause or exacerbate hunger. It is, therefore, important to remain conscious of the ways in which scale is being represented or ignored in accounts of economic processes.

Representation, then, can have important implications for the way in which we understand a problem, and, by extension, for the way in which we imagine solutions. Alongside a geographical understanding of economic processes based on space, place and scale, it provides an important means of correcting the limited or partial analyses that we often hear. In this section we have barely scratched the surface of an explanation for, or solution to, African poverty, but we have laid out some of the important questions that a geographical approach would ask. In this way, we can at least start the task of making better diagnoses of such problems, and hence avoiding bad prescriptions in which the medicine may at best be ineffective, and at worst have severe side-effects.

1.4 A world of difference: From Masochi to Manhattan

The previous two sections have highlighted what can be missed in conventional economic analyses of poverty and how a geographically conscious approach may do a better job of explaining what is a highly complex, real-world problem. In this section we further develop the idea of a distinctive economic-geographical perspective by looking at a completely different example – the financial power of Wall Street in New York City – and considering the contrasting ways in which economists and economic geographers might approach that topic. Asking different research questions about the same economic phenomenon can produce very different analytical insights. Our purpose here is not to denigrate economics, but rather to demonstrate the potential benefits of the insights that can be derived from adopting an economic geography perspective.

As is well known, Wall Street, a simple street in New York City (see Figure 1.5), plays a dominant role in the global financial market. Wall Street is at the heart of lower Manhattan, America's leading financial district and, together with Broad Street, defines the boundary of an area that hosts the world's most powerful financial institutions. These institutions range from the New York Stock Exchange (NYSE) to headquarters of many largest financial groups such as Goldman Sachs and Merrill Lynch. The NYSE in Wall Street is particularly significant, with its website claiming that 'the world puts its stocks in us' (http://www.nyse.com). Its stock market indices literally *dictate* the global price movements of stocks in numerous other stock exchanges; its daily trade of stocks represents more than 80 percent of all listed US firms and over 60 percent of all listed firms in the world. In 2004, its average *daily* value of trade was $46.1 billion, a figure exceeding the *annual* GDP of many countries (in the same year, Niger's entire economic output was about $3 billion).

How might an economist approach trying to understand this incredible confluence of financial power? A financial economist might immediately think of money and banking as defining Wall Street's central importance. The research questions that then arise from this viewpoint would relate to several key concepts, including price, equity, rate of return, growth, volatility, and risk. A universal law of financial economics - the *efficient market hypothesis* – puts these concepts into practice, depicting the financial market as a self-regulating machine whose primary function is to clear (i.e. balance) the demand and supply for particular financial instruments such as currencies, shares, and bonds at a certain equilibrium price. Alternatively nicknamed the *random walk theory* after Burton Malkiel's (1985) bestseller, this hypothesis has been 'proven' through numerous empirical studies in financial economics with the result that it become seen as a universal law, akin to the law of gravity in physics. In this law of finance, the financial market is assumed to be so efficient that virtually nobody can gain exceptional profits. This happens because everybody has access to 'perfect' information and the market is fully competitive. Taken to its logical extreme, Malkiel (1985: 16) argues that 'a blindfolded monkey throwing darts at a newspaper's financial pages could select a portfolio that would do just as well as one carefully selected by the experts'.

Armed with this law of efficient markets, financial economics would approach Wall Street as an efficient market for settling the demand and supply of different financial instruments. As the law is assumed to prevail in all circumstances, the critical research question for financial economists is to determine the functioning of different financial markets in Wall Street, to improve its economic efficiency, and to predict its behaviour. By adopting such a financial approach to the understanding of economic activities in Wall Street, we would argue that financial economists have often ignored or indeed missed outright some important aspects of the Wall Street phenomenon.

An economic geographer, by contrast, armed with the conceptual toolkit of space, place, scale and representation, might seek to ask the following important questions:

- Where does the capital, people, and technology in Wall Street come from? How is Wall Street 'plugged into' the global economy through different connections across *space*? How are these connections organised at different spatial *scales*?
- Why do these different elements in the financial industry coalesce together in a particular *place*, i.e. Wall Street? What are unique attributes of Wall Street and its environs that have lead to the continued concentration of global financial power in such a small area?
- Is it just economic factors that shape decision-making and market movements in Wall Street? What are the non-economic dimensions of these economic processes?

To be clear, we are not arguing that financial economists must necessarily raise and answer these thorny questions. But we believe these are important questions that economic geographers can productively seek to address.

Unlike the law of efficient markets in financial economics, there is no single theory that explains everything in economic geography. Instead, as we saw in section 1.3 in the case of Niger, we rely on several interrelated geographical concepts to tackle these research questions. First, we would seek to explain how Wall Street serves as a key *node* in the global financial system by exploring how New York City has come to dominate the global financial economy since the nineteenth century. It would demonstrate how Wall Street institutions are connected into financial circuits operating at the *global* scale. This line of geographical inquiry requires deep historical analysis of both the growth and role of New York City in an expanding hierarchy of urban centres in the United States, and the rise of American power and global finance in the post-Cold War era of financial globalization (see more in Chapters 3 and 7). Equally, it necessitates detailed analysis on the contemporary flows of people, capital and knowledge into, and out of, New York City that are part of the global financial system. These kinds of detailed analyses clearly do not lend themselves to the law-making approach of financial economics, as they are not readily amenable to generalisation, statistical analysis and mathematical modelling.

The second set of research questions concern the 'coming together' of different financial institutions in one particular *place*. For over a century now, economic geography has sought to explain the spatial clustering and co-location of economic activities (see Box 1.2 and more in Chapter 5). Part of the reason may be to do with the cost savings of locating together and doing business with one another. And yet why, with the recent quantum leaps in information and communications technologies, do

institutions still want to trade *on* Wall Street when presumably they can do so from anywhere in the supposedly 'borderless world'? After all, property in Manhattan is some of the most expensive to rent or own in the world. As our third set of questions suggest, to tackle this conundrum effectively we need to move beyond purely economic logics to bring in social and cultural factors (indeed concern with these aspects is central to the 'new' kind of economic geography outlined in Box 1.2). Over time, certain norms, values and ways of doing business have developed in and around New York's financial district, offering a different kind of 'glue' that binds firms and other institutions together in a particular place. This alludes to a local world of bars, cafes, clubs, gossip and rumour in which vital financial knowledges are exchanged between bankers, stockbrokers, business analysts, journalists and so on. Crucially, these intense networks are primarily organised at the *local* scale (Thrift, 1994). Equally importantly, these rather intangible, but highly significant elements of Wall Street's uniqueness and continued vitality are beyond the radar of most economists' models.

We could make a similar argument about many, many other economic phenomena. What we have tried to show in this section, through looking at the example of the Wall Street financial district, is that employing our geographical vocabulary leads us to approach the topic in a distinctive manner, and one which, we would argue, leads to richer and more nuanced analyses of grounded, real-world economic processes than might otherwise be the case.

1.5 A guide to the book

This chapter has introduced four key concepts – space, place, scale and representations thereof – that will be used throughout this book and which we see as defining a geographical approach to the economy. In Figure 1.6, we gather these concepts together graphically in order to illustrate how the various chapters of this book connect to form a coherent geographical narrative. In short, it shows both the comprehensiveness and complexity of an economic-geographical perspective on the global economy.

We first focused on *space*, noting in particular the importance of location (that is, patterns *in* space) and flows (movement *across* space). *Location* in space will be a key issue in Chapter 3, as we explore why economic development appears to occur unevenly, but throughout the book the question of why certain economic activities happen in certain locations will underpin many of our discussions. In Figure 1.6 (B), we show different locations in space and patterns of uneven development.

Flows across space will also be a common theme in this book. In Figure 1.6, we show how space both serves as the backdrop through which these flows occur *and* affects how these flows are organized.

There is a *mutually constitutive* relationship between the networks linking states, firms, workers and consumers in economic space (A) and the placed-based attributes in the space of uneven development and the natural environment (B). Chapter 4 will explain how commodity flows across space connect the different groups of actors depicted in the figure. Chapter 5, on technology, will establish some of the space-shrinking technologies that have facilitated and accelerated flows of capital, people, and commodities in different processes of spatial interactions shaded in Figure 1.6. At the same time, however, it will emphasize the continued importance of physical proximity in space. Flows of commodities are discussed further in Chapter 6 when we examine the ways in which natural resources located in different parts of the world map are commodified into economic products.

In Part 3 of this book, each of the key actors involved in shaping these economic flows (illustrated in the upper plate in Figure 1.6) will be explored in more detail. Chapter 7 will unpack how the state is related to other actors in the global economic space. Flows of investment by transnational corporations (TNCs) will be explored in chapter 8, where we will ask how TNCs organize their global activities and integrate complex networks across space. Flows of migrants form a part of Chapter 9 where we will also discuss how space is actively used by employers and workers when they confront each other. Chapter 10 will examine how consumers perform their role as the 'end users' of the commodities that flow across space through complicated chains and networks.

Equally important to us is the geographical imperative to understand the specificities of *place* featured throughout this book. Such places are denoted in the lower plate in Figure 1.6 and our role is to elucidate their inherent complexity and diversity. The uneven development discussed in Chapter 3 is meaningless without acknowledging that places are distinctive, while the 'space-shrinking' technologies described in Chapter 5 have brought places closer together without necessarily making them the same. Indeed, it is their differences that make them worth connecting! Technology merely serves as a mediating force that facilitates or enables these processes of spatial interactions. Relatedly, Chapter 9 (on labour) will note how workplaces are distinctive places with complex internal processes and how a labour control regime is locally constituted in specific places. Similarly, Chapter 10 will focus on particular places of consumption such as high streets and shopping malls.

Part 4 of the book emphasizes the ways in which economic activities become embedded in the particular socio-cultural characteristics of places. We consider the ways in which firms are reflections of the places in which they originate and/or operate (Chapter 11), the importance of gender relations in shaping economic life (Chapter 12), and the formation of ethnic business clusters (Chapter 13).

We will also describe the place-based formation of gender- or ethnic-specific labour markets. Taken together, these social-cultural processes play a *mediating role* in shaping economic processes, as shown in Figure 1.6. Place is important here because it provides the site for these processes to play themselves out.

While the importance of place is a theme that recurs in almost every chapter of this book, an attention to *scale* is also explicit throughout – from the workplace and home-place through to the global economy. While the understanding of a single geographical scale may in some cases be pertinent, the approach we champion in this book is inherently *multi-scalar*. We emphasize the need to develop a scalar understanding of *each* economic process and its spatial outcomes, defined in Figure 1.6 as 'processes of interactions' at different spatial scales. Although it is the global reach of transnational corporations that forms the basis for Chapter 8, for example, we will also point to the importance of national regulations and local characteristics in shaping their operations. Chapter 7, meanwhile, which focuses on the state, will consider the way in which governmental functions are shifting from the national scale to local (e.g. city) and supra-national (e.g. European Union) scales. Sensitivity to multiple scales of analysis is also critical in Chapter 11, as the culture of economic practices can be interpreted as either a reflection of firm-by-firm differences in corporate culture, regional business cultures, or national business systems.

Finally, *representation* is a key issue in understanding how we diagnose and 'treat' economic problems, and how we label spaces, places and scales in certain ways. In Chapter 4, the ways in which we represent nature affect the ways in which it becomes commodified and part of economic processes. A conception of nature as separate from society often leads to its inappropriate and unsustainable exploitation. In Chapter 12, we will explore how domestic (i.e. home) spaces are represented as feminine, with profound implications for the kinds of employment men and women find in the waged labour market. And in Chapter 13, we see how the representation of ethnic neighbourhoods, and even national spaces, can have implications for the economic fortunes of ethnic minority immigrant groups in major world cities.

But representation is also important in an even more fundamental way. As we noted with reference to Niger, it is often assumed in discussions about poverty and development that the economy is the fundamental 'thing' that we are studying. Livelihoods are, however, usually created from resources both inside and outside of the economy that is formally acknowledged and measured. What exactly the economy is, then, remains far from clear. While we have established in this chapter that there are

multiple geographies of the economy to be studied, we will turn in our next chapter to explore how 'the economy' itself is a far from unproblematic category.

Box 1.1: An economist explaining Niger's Famine

MARGARET WARNER: Niger, a poor country twice the size of Texas, is said to be losing now 15 people a day to hunger, and nearly three million of its 11-plus million people are at risk. For more on this unfolding crisis we're joined by Christopher Barrett, professor of economics and management at Cornell University, and co-director of Cornell's African Food Security and Natural Resources Management Program. Professor Barrett, welcome. What would you say is the root of this hunger crisis in Niger?

CHRISTOPHER BARRETT: Well, the root is chronic poverty, Margaret. There's been, as your correspondent just mentioned, a bit of a shock over the past year, low rains, a locust infestation, all of which knocked the harvest down. But the core problem is that there's no margin here, that these are such desperately poor people that even the slightest shock can cause irreparable damage. Prices have spiked for food in Niger and the real problem here isn't no food; the problem is people can't afford food when they're so poor.

MARGARET WARNER: What else beside those two factors? I mean, can aid get around the country, can food get around the country, or are there problems of transportation and infrastructure?

CHRISTOPHER BARRETT: Well, as the correspondent mentioned, Niger is a country that is more than twice the size of Texas, with a population about the same as that of Ohio, and paved road infrastructure about the same as that of Dayton, Ohio. So once you spread such limited road networks across such a big area trying to serve a fairly large population, it does become very expensive and very logistically tricky to reach them all. So this is a real problem.[…]

MARGARET WARNER: Now, Niger over the past few years has certainly received millions of dollars in different kinds of aid. Has it just not been spent wisely? Has it been mostly spent on paying off their debt? What's been the problem there?

CHRISTOPHER BARRETT: Well, it's true that there has been a fair amount of aid flowing into Niger, on average a bit more than $300 million a year, only about 5 percent of that from the United States, by the way. But the majority of that aid has been on debt relief; it has been emergency assistance; it has been a variety of things that don't really get at those fundamental issues of improving the productivity and the health and the education of this population. As a result, they simply can't be very productive and they remain desperately poor. So while it's true that there has been aid flowing into Niger, and it's an open question how well it's all been used, I think one needs to be very careful about assuming that there's this great generosity of flow to Niger. I mean, on average Americans are giving Niger about a nickel per person, about a nickel per American per year goes to Niger, that's not exactly a generous flow of aid….

MARGARET WARNER: But briefly, what you're saying is the long run answer is not this emergency relief aid, but it's the kind of aid and management of the aid that actually builds the infrastructure that addresses the problems you were talking about earlier?

CHRISTOPHER BARRETT: Exactly right, Margaret. We absolutely must do something now. It's the humanitarian imperative. But we also need to anticipate that this problem will recur if we fail to address the underlying structural causes. If we don't improve agricultural productivity and we don't improve the marketing infrastructure so that people can earn a living so they can secure their own families.

MARGARET WARNER: All right, Professor Christopher Barrett, thank you so much.

CHRISTOPHER BARRETT: Thank you very much, Margaret.

(Source: PBS, The Newshour with Jim Lehrer, August 4th 2005.
http://www.pbs.org/newshour/bb/africa/july-dec05/niger_8-04.html
Accessed May 4th 2006.)

Box 1.2: Major theoretical perspectives in economic geography since the 1960s

During the second half of the twentieth century, economic geography witnessed the rise and fall of different and often competing theoretical traditions (Scott, 2000). Broadly speaking, we can identify a series of overlapping trends in economic geography over this period:

Location theory and the neoclassical approach represented an attempt by economic geographers to emulate the scientific methods and philosophies of the natural sciences (and economics). Starting with the German sociologist Alfred Weber's industrial location theory, published in 1909, and the translation of German economist August Lösch's work on the economics of location into English in 1954, location theory and analysis gathered pace throughout the 1950s and the 1960s. During the 1960s, the theory was imported into economic geography primarily through the classic work of Brian Berry and William Garrison in the US and Peter Haggett in the UK. This genre of economic geography was particularly interested in establishing and explaining patterns and order in the distribution of economic activities across space. In methodological terms, locational analysis adopted mathematical forms of geometrical modelling to describe and explain spatial patterns. This tradition in economic geography has been picked up by some economists since the 1990s, who have developed sophisticated models of economic activities across space – thereby appropriating the term 'new economic geography' to describe techniques that are quite different from those now used by most economic geographers (see below).

Between the late 1960s and the early 1980s, some economic geographers experimented with a **behavioural approach**. This approach questioned the rationality assumption that underpins location theory and neoclassical economics (general equilibrium analysis). By adopting Herbert Simon's idea of *bounded rationality*, behavioural economic geographers examined the role of cognitive information and human choices in determining decision-making and locational outcomes. While the analytical focus remained on locational issues and spatial behaviour, this genre of economic-geographical research tended to shy away from the mathematical modelling that dominated location theory. Instead, large-scale surveys were used to investigate the economic decision-making of human actors in various situations.

Marxist political economy emerged in the early 1970s as a reaction to the failure of locational analysis to address adequately the social and spatial inequities in economic development and wealth that were emerging. Beginning with David Harvey's classic work on urban social justice in 1973, Marxism opened up entirely new horizons in economic geography that explored social relations of production and the geography of capitalist accumulation. The main foci of analysis were not spatial patterns or location decisions, but rather the structures of social relations that underpinned capitalism. Spatial patterns of industrial location, urban form, or economic development in general were seen as outcomes of struggles between capital and labour (see Chapters 3 and 9). During the late 1980s and the early 1990s, the political economy approach manifested itself in the *post-Fordism* debate. This theme focused in part on the ways in which capitalist economies are regulated through institutions, but also on the transactional relationships between firms in particular *industrial districts* and high growth regions (see Chapter 5).

Since the mid-1990s, **'new economic geography'** has moved away from viewing economic processes as separate from social, cultural and political contexts. Instead, social, cultural, and institutional factors tend now to be seen as key factors in understanding economic dynamics. Unlike previous genres, the new economic geography is not represented by a particular theoretical perspective or methodological practice. Rather, it is characterized by an eclectic collection of philosophical standpoints and social theories ranging from poststructuralism and postmodernism to institutionalism and feminism (see chapters in Part 4).

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Further readings

- For a classic geographical analysis of poverty in Africa, see Watts (1983).
- Bryson *et al.* (1999) offer a good collection of important articles in economic geography.
- Barnes *et al.* (2003) bring together the best collection of research contributions by economic geographers with a very helpful introduction at the beginning of each section.
- Hudson (2004) provides a challenging geographical conceptualization of the spaces, flows, and circuits of economic activities.
- Lee and Wills (1997) represent the first major statement on the 'new economic geography' and herald the rise of the 'cultural turn' in economic geography.
- Sheppard and Barnes (2000) bring together student-friendly and yet state-of-the-art contributions by leading economic geographers on a wide range of important themes and issues.
- Several textbooks in industrial or economic geography are currently available. Many of them are mostly devoted to locational analysis and/or *industrial* production, e.g. Dicken and Lloyd (1990), Healey and Ilbery (1990), Hayter (1997), and Hudson (2000).

Sample essay questions

- What are the distinctive elements of an economic-geographical approach to the economy?

- How do economic geographers and economists approach similar economic phenomenon in different ways?
- What are the problems with the underlying assumptions in most economic models of the real world?

Resources for further learning

- http://www.irinnews.org: A valuable archive of material concerning humanitarian issues in Niger is provided by the UN Office for the Coordination of Humanitarian Affairs.
- http://www.econgeog.org.uk/: the website of the UK's Economic Geography Research Group provides a window on current economic geography activity in the UK context.
- http://www.geography.uconn.edu/aag-econ/: does likewise for the US Economic Geography Specialty Group.
- http://www.gesource.ac.uk/home.html: this gateway provides searchable access to hundreds of websites relating to Economic Geography.

Figure 1.1: Map of Niger in West Africa

Figure 1.2: The PBS logo for its coverage of famine in Niger, 2005

Source: http://www.pbs.org/newshour/bb/africa/july-dec05/niger_8-04.html, accessed 24th July 2006.

Figure 1.3: Place, space, and scale

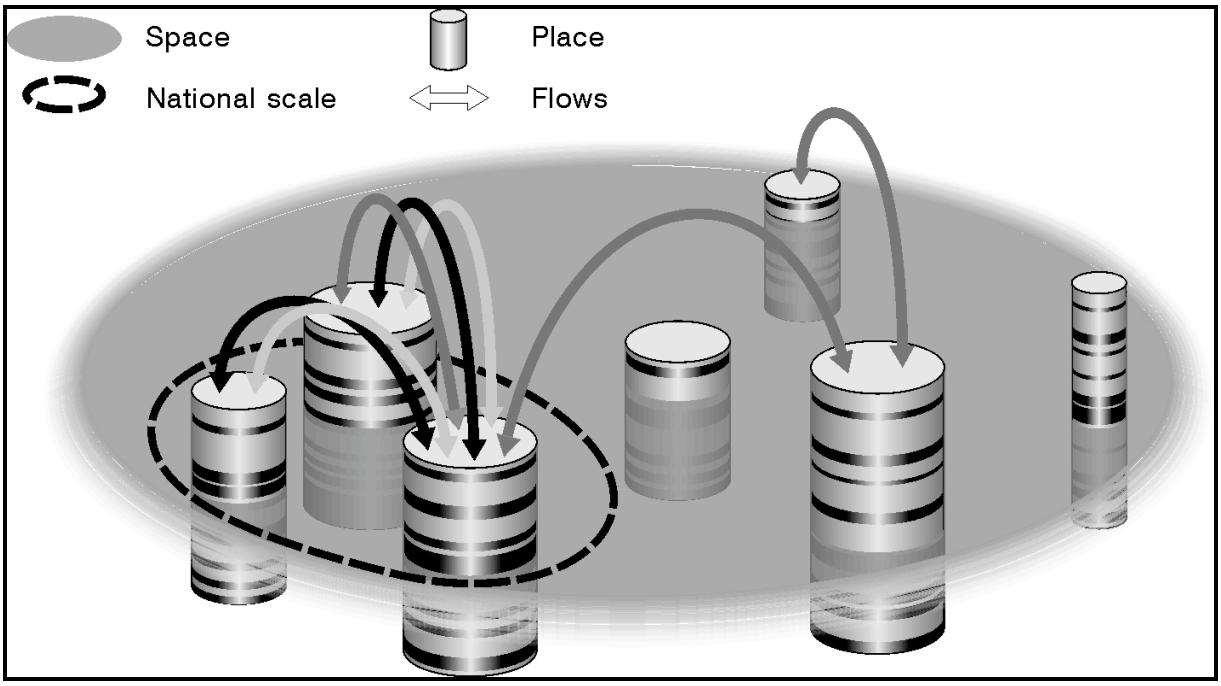
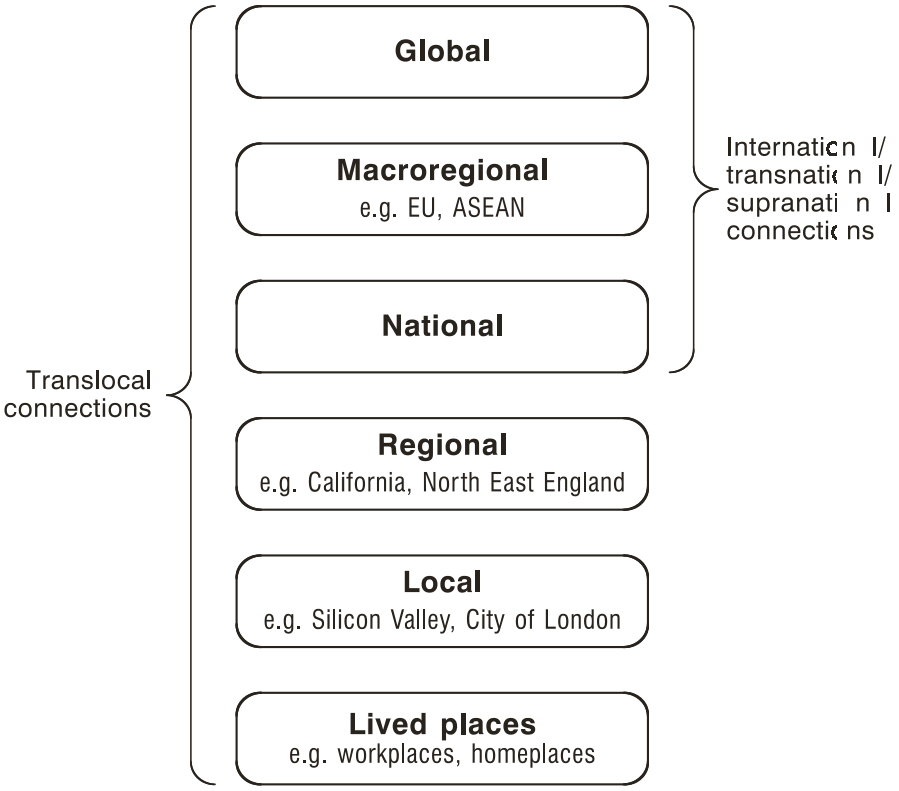


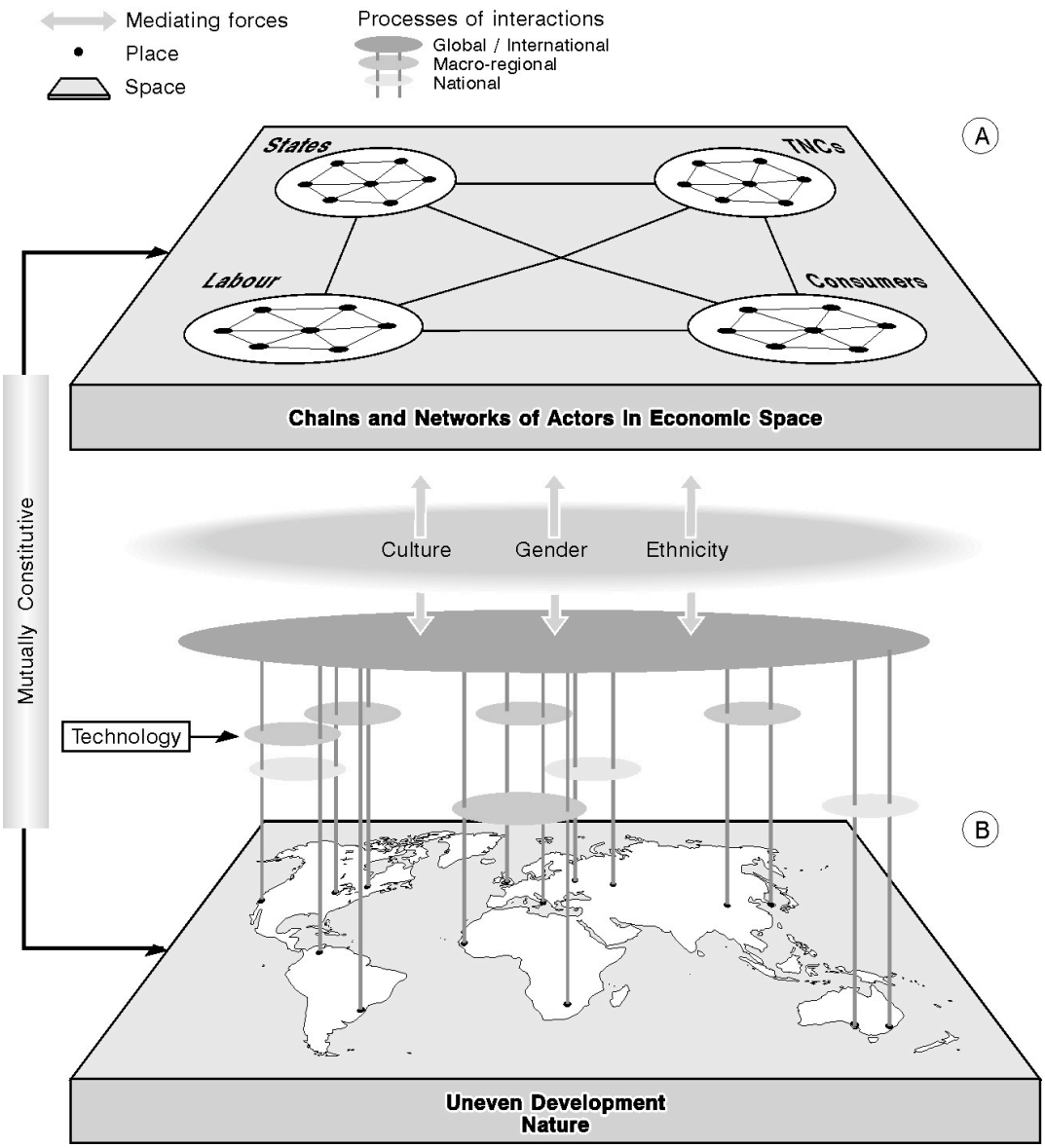
Figure 1.4: Spatial scales



Source: adapted from Castree *et al.* 2004, Figure 0.1.

Figure 1.5: Wall Street, New York City

Figure 1.6: An economic-geographical perspective on the global economy.



Source: inspired by Dicken, 2004, Figure 2.