

Regional Studies Assn
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1. I am very grateful to receive this award. In academia we tend to labor away in relative solitude, and then every so often there is a moment when we are told that some one is paying attention to what we do.
2. Receiving an award named after Sir Peter Hall is especially gratifying. In the 1980s when I was completing my doctorate and Sir Peter was a professor at Berkeley, in California, he inspired a large cohort of us in this field, many of whom have fanned out across the world into positions of responsibility. Sir Peter's mixture of historical knowledge, geographical sweep, theoretical rigor, methodological sophistication and sensitivity to the relevant and important questions of the day, became the guideposts for my generation of PhD students at Berkeley, and I think it has stood us well.
3. Regional studies is an interdisciplinary field -- I come at it with tools of economic geography, economics and sociology, but there are many other tools in the mix. This makes it at once very rich; vast in its scope; and heterogeneous in its methods.
4. Sometimes this makes it a bit of an orphan in academia, with its disciplines and divisions of labor. But it derives its strength from the fact that its core concern, at least as I define it, is a universal and important dimension of the human experience: regions constitute an essential scale at which economic, social and political life are organized, and rather than disappearing as an important scale, its importance is, if anything, growing in the 21st century. More subjectively, people tend to identify with regions, even those who are highly mobile.
5. I want to talk about the four big issues that we are dealing with in regional studies today: urbanization, globalization, technological innovation, and finance.
6. **URBANIZATION:** The 21st century will be the most urban – or I should say metropolitan – century humanity has ever known, and this comes after four centuries of intensive urbanization. The metropolitan region is becoming the essential scale at which economies are organized : more people, greater percentage of the population of the world, higher percentage of output, are organized into metropolitan regions.

7. It's not that scales such as nation-states or continental blocs are disappearing; they are not and nation-states remain essential as scales of organization, mobility and governance. But they are themselves dealing increasingly with their national territories as assemblages of metro regions, that relate at different intensities within the nation and across its borders.
8. URBANIZATION is not just about raw concentration of people, firms, knowledge, and buildings in cities. It is about the ongoing sorting of different kinds of people, industries, and knowledge to different places, and a concomitant fact of modern economic development: It generates an income hierarchy among metropolitan regions, and it reshuffles the deck of cards, with city-regions moving up and down the income hierarchy according to how they position themselves in the economy's division of labor. Even though some regions in the developing world are starting to catch up to regions in the developed world, at the same time, within the developed world, many regions are falling down the ranks of incomes – here in Britain, the dramatic and increasing income split between north and south is a particularly vivid example. Even within the USA, the Sunbelt presents a mix of some cities that are positioned to move into the upper class of regions, while others have hit the middle-income trap just like certain developing countries and are likely to stagnate in the income hierarchy.
9. GLOBALIZATION, my second main issue, sheds some light on the turbulence and unevenness of development. Globalization – fueled by liberalized trade policies and declining trade costs -- has two main features for regionalists: it is a massive process of sorting and resorting the activities of the economy, generating a territorial pattern of who does what. There is not a set of global cities and regions and “not global.” Every region that is connected to the global economy is globalized, through this sorting process. But globalization is also shaped from the bottom up, by *interactions within* regions: when engineers talk to one another in Munich, or bankers in London, or film-makers in Hollywood – they are not just taking what the global economy gives them through sorting. They are also telling the global economy what is possible and what they will do to it and for it.
10. The two processes – sorting between and interacting within – creates and constantly reshapes the regional mosaic of activity and incomes. And though this mosaic involves some broad processes of catching up in the poorer regions and countries, it also involves big processes of divergence within the developed world, and between the leading regions in the developing world and their hitherto-undeveloped hinterlands.
11. Globalization contributes to urbanization or metropolitanization – as it spreads capitalism, it spreads it more and more to urban nodes. This is because there is a paradox attached to globalization: it reduces long-distance trade costs, on the one hand, allowing more trade between countries and regions, but it increases many upstream or intermediate trade costs, making metropolitan regions the preferred locations for more and more activities. But it does so selectively, leading to greater success and wealth for some regions than for others.

12. A big role in the selective, hierarchical and urban nature of globalization is played by TECHNOLOGY, or the other buzzwords we use, innovation and knowledge. In spite of distance-killing communication technologies, real knowledge and savoir-faire are highly unequally distributed in this world. The primary split is from developed to developing countries; but a sharp secondary split is between metropolitan regions and everywhere else; and a third split is between metropolitan regions, which are highly specialized in their leading-edge knowledge communities, even at similar levels of economic development. The local collective genius of San Francisco is different from the genius of London.
13. We have lived through a major technological revolution since 1980. Along with globalization, it reshuffled the ranks of successful and less successful regions, contributing to the pattern of increasing intermetropolitan income divergence we see today. This revolution is not over, but it is going through a phase change. The regional pattern of the IT revolution is now pretty much known, and it is mature. But the next waves of change will be in biotech, nanotech, green tech and things we can't yet imagine and they will create a regional palimpsest and new pattern of population and income, just as IT did this since the 1970s, giving us today's metropolitan hierarchy.
14. FINANCE has a key role, as both activity and as effect on the economy. We are in London, the world's leading financial centre, and so the finance revolution has powerfully shaped a set of leading metropolitan regions. The deepening of financial markets has also revolutionized entrepreneurship, by financing it, building – by financing it – and is a vehicle of the restructuring of firms in all industries in the economy, shaping and accelerating their modernization, with major effects on the regions in which these industries are located – well outside the capital cities of finance, reaching deep into every nook and corner of the economy and its regions and neighborhoods.
15. With these four dimensions, we have an agenda for regional studies that is enormously rich, exciting and relevant. They are at the centre of the world that taking place: the good effects of the urbanization-globalization-technology-finance nexus are to generate a lot of economic and human development. But they come at a price: the economy and its regions pick winners and losers. They do it geographically and they do it socially, in terms of people. . The economy today has a tendency to become a winner-take-all system – certain regions rather than others, and within regions, a complex mosaic of winner and loser neighborhoods, and of winner and loser classes of people. These are very thorny problems that are directly related to the functioning of the economic system today.
16. Those who have a bias in favor of equality will always be tempted to try and spread the wealth around. In the past, there have been experiments with trying to spread activity from one region to another, just as in non-spatial policy, there have been attempts to shape the distribution of income between people. In the regional field, our old approaches didn't do very well. The very direct ones –

telling firms where to go – are impractical and if they're done with incentives, very expensive and not very effective in evening out the pattern of development. Governments try to do a lot of things such as spreading infrastructure and other public goods, and this is necessary, but it doesn't combat the strongly polarizing tendencies that are at the heart of how modern economies work. Bad, even if well-meaning, equity policies tend to be ineffective and very costly in terms of money and political attention.

17. Indeed, any anti-urban or anti-successful city bias today would be rather silly – these metropolitan regions are extraordinary places in terms not only of their economic output, but the social-cultural-technological-advancement that occurs in them.
18. But that doesn't mean we should be complacent about regional inequalities. While wealthy regions do not “de-develop” poorer ones, in some direct zero-sum game, they do have externalities on the less-successful places. They do this by attracting the most talented people, and reproducing their roles as the interaction spaces for the highest-level and most economically-lucrative knowledge. They generate social multipliers within them that then tend to reproduce their positions in the inter-metropolitan hierarchy.
19. As I said, it is futile to try to redistribute things in a top down way and a great deal of what goes under the rubric of explicit or even implicit regional policy is ineffective. But in the regional studies field that is why many of us are returning to our roots, and reinvigorating inquiry into the question of development. What does it take to foster economic development in the less successful places? What does it take to renew it and make sure that it is resilient in the city-regions that are currently successful? Here, we join with our colleagues who study development tout court, and look for that complex alchemy of knowledge-people-institutions and scale that have made for development take offs in certain places at certain times over the last couple of centuries. This is not the stuff of building bridges and highways, subsidizing firms, or looking for quick fixes, but of going deeper into the problem, and avoiding throwing public money around for short-term band-aids on what are deep long term problems.
20. Along these lines, regional studies isn't just narrowly about regions.. There are indirect relationships between the seemingly “non-spatial” aspects of economic life and policy, and their geographies and many feedback effects that are hidden to the naked eye. Here, the trio of globalization, technology, and finance have regional dimensions that need to be at the centre of our concerns.
21. Dani Rodrik of Harvard has an excellent metaphor for the appropriate attitude toward globalization: open the window to it and let in the refreshing breeze and all the good things it brings us; but keep a mosquito screen on it, to keep out the bad bugs. This is no excuse for a return to protectionism. But countries and regions remain the only sovereign, politically-legitimate scales at which peoples can define their developmental needs and strategies. Globalization generates enormous benefits, especially to the winning metropolitan regions, and it generates inescapable , if painful, changes in many other regions. But

globalization's rules should not become an impediment to the developmental projects that these other regions need. Our field, in the coming years, will need to put some flesh on this general idea : globalization's rules need to be adjusted in a way that is simultaneously compatible with an open global economy, no nostalgia for the past or temptation to go back to a system of handouts, but leaving meaningful policy space for countries and regions to attend to their own development.

22. The technology revolution has been a great thing, and I say this coming from California, where we know about such things from living them. I have myself done considerable research on the regional foundations of innovation and the policies for helping regions continue to innovate, and Sir Peter was one of the people who first got me interested in this subject before it was fashionable. But innovation is not a panacea because there are just so many Silicon Valleys to go around. In the West, we have seemingly non-regional policies that distort the incentives to innovation. Our patent systems no longer distinguish between real and paper innovations and drain activity into trivial innovations. Our public sectors, who generate most of the basic knowledge that allows for fabulous commercial innovations to go ahead, are under-paid for what they do, and in the private sector, there is a winner-take-all rewarding of certain patenters, as individuals and as companies. Put simply, they are misallocating capital in the economy. And this makes it difficult – except in places like Denmark and Germany that have policies in place to deal with this issue – to nurture the second-string innovations and developments that are appropriate for many regions.
23. A third issue that comes from national policy but affects regions is that in most of the West, we are losing the race between education and technology. For most of the 20th century, the supply of new skills kept pace with the demand for new skills and as a result, we could develop without aggravating social inequality. This is no longer the case, most dramatically in the USA, but also in Europe. In regions, including the winner regions, where this inequality between people is most dramatically felt, we need national policy to give us a break and get education back into its proper dynamic role in a dynamic economy. Regions cannot develop or innovate their ways out of a deficiency in skills that has the effect of sending income to the top of the population and then, through spatial concentration and networking, dramatically magnifying the social multipliers in certain places, in an endless circular and cumulative process.
24. Finally, finance. Let me be provocative, here in the world capital of it. Starting in the 1980s, the revolution in finance generated a set of local winners as producers of such services – London and NY especially. But the numbers are now in. Somewhere in the neighborhood of 60% or possibly up to 2/3 of what the investment finance industry does today is not a fulfillment of the role economic theory says it should have, which is to better allocate capital and to increase its velocity of movement in order to make it have more leverage and thereby work harder in the service of increasing overall prosperity. What it does is move money among investors in a way that they, and the people who do the trading, can extract a rent for themselves. This creates fabulous concentrated wealth, but

it does not raise the economy's possible level of overall productivity. This industry should be cut down to size, through policies that severely limit its rent-extracting margin.

25. London would remain a great centre of finance, but it would have to adapt. This is an old debate in British political economy, but we have much better evidence today on the truth of the story.
26. Most importantly, the effects go well beyond London or New York's or Hong Kong's future as financial centres. Inside these places, too much of the income inequality is driven by the strong presence of overpaid people in finance, and they have distorting effects on regional land, housing and many other markets. Glamorous yes, but not justified by any fundamental efficiency role they play in the economy. They have other powerful spatial effects: the housing booms and busts all over the world since 2007 are directly due to this industry. The difficulty of obtaining patient capital for moderate rate of return, but potentially efficiency-enhancing and job creating, but not glamorous activities, is in part due to the way this industry determines our priorities for capital allocation.
27. So there are macro political economy problems that hit the ground in regions and in the spatial distribution of economic activity and income and well-being.
28. This is a tall agenda. Armed with our tools as social scientists, we in regional studies are well positioned to contribute powerfully to it. The RSA is leading the way with its expansion into North America, its venerable and new journals, and its invigorated program. So I am proud to be here to be a part of it.