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**City-regional governance:
on conceptual issues**

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Abstract:

The debate about city-regional governance in the last decade or so has seen a remarkable amplification of voices, which place information, knowledge, learning, technology, innovation and institutions at the forefront of their conceptual framework (see Malecki, 2000, for a recent review). Concepts such as ‘informational city’ (Castells, 1989), ‘innovative city’ (Simmie, 2001), ‘learning region’ (Florida, 1995a; Morgan, 1997) or ‘knowledge-based city’ (Simmie and Lever, 2002) have dominated academic and policy debate on cities and regions. At the heart of these concepts lies the conviction that knowledge is now the fundamental economic resource and learning is the most important economic process (Ludvall and Johnson, 1994). More broadly, there is widespread acceptance that society and economy are being transformed into a form of ‘information society’ or global ‘knowledge-driven economy’ (Castells, 1996; Giddens, 2000, Leadbeater, 2000; Cooke, 2002). For less critical observers, such a transformation may seem inevitable, but nonetheless desirable, because it conveys the hope that the old socio-spatial divisions and contradictions of industrial capitalism will give way to a more equal and spatially more harmonious city-regional development as the emerging new global ‘knowledge age’ sets in. This paper challenges basic assumptions on which ‘knowledge-based’ approaches are built and identifies the conceptual and policy implications this may have.

1. Introduction

It has been recognised in the literature that *urbanisation* is “one of the major drivers of the process of development in the contemporary world” (Scott and Storper, 2003, p.584), and is “an essential condition of durable development” (ibid, p.581). Consequently, *cities* and *regions* are the “critical foundations” (ibid, p.580) of such development - primarily thanks to the advantages of agglomeration. The most striking forms of agglomeration in evidence today are said to be “super-agglomerations” or “city-regions” (ibid, p.581) in their various forms.

There is an expanding body of literature which sees such “city-regions” as being at the epicentre of a fundamental transformation of advanced economies and societies towards a new “knowledge era”. In the last decade or so, theoretical debates over the nature of this transformation have been intensifying. Building on existing concepts such as ‘post-industrial society’, ‘information society’ and ‘service economy’ (Bell, 1973; Lyon, 1988; Martin, 1988, 1995; Webster, 1995), more recent approaches have (re)emphasised the growing role of innovation, knowledge and learning for economic activities, and for society more broadly. Terms such as ‘knowledge economy’, ‘learning economy’, ‘knowledge-intensive’, ‘knowledge-driven’ economy or ‘global knowledge economy’ have fuelled academic discussions (Lundvall and Johnson, 1994; Castells, 1996; Burton-Jones, 1999; Giddens, 2000; Leadbeater, 2000; Cooke, 2002; Rodrigues, 2002) and heavily influenced policy documents (EC, 1996; EU 2000; OECD, 1997; *inter alia*). Running parallel to this broad socio-economic debate have been attempts within economic geography, planning theory, industrial sociology and the social sciences in general to conceptualise the implications of the transformation towards the ‘knowledge economy’ for spatial systems (see Sokol, 2001). In particular, one focal point has been the role of regions and cities within these ongoing transformations. Concepts such as ‘new industrial spaces’ (Scott, 1988), ‘technopoles’ (Castells and Hall, 1994), ‘innovation milieux’ and more recently ‘learning regions’ (Florida, 1995a; Morgan, 1997) have been devised to capture the nature of change at both the urban and regional level. However, one striking feature of the current development is that while the new information and communication technologies (ICTs; seen by many as central to the emerging ‘global knowledge economy’) were expected to have de-centralising effects on spatial structures - cities and urban agglomerations do *not* seem to be disappearing. Quite the opposite, in fact - cities (or city-regions) not only remain the focal points of economic

activity, but are also at the forefront of a trumpeted technological and ‘knowledge-driven’ revolution. Despite the emergence of new spaces of production, ‘old’ cities (still) function both as the motors of innovation and knowledge-intensive production (Castells and Hall, 1994; Simmie *et al.*, 2002) and as the locations for most high-tech urban infrastructural developments (Graham and Marvin, 1996, 2001). Thus, city-regions are the “locomotives of national economies” (Scott and Storper, 2003, p.581) and/or crucial nodes within the global economy (Hall, 1984; Sassen, 1994, 2001), frequently labelled as ‘post-industrial cities’ (Savitch, 1988), ‘post-industrial metropolises’ (Soja, 1995; Graham and Marvin, 1996), ‘informational cities’ (Castells, 1989), ‘learning regions’ (Florida, 1995a), ‘intelligent cities’ (Komninos, 2002), ‘innovative cities’ (Simmie, 2001) or ‘knowledge-based cities’ (Simmie and Lever, 2002; *inter alia*).

The Dublin metropolitan region could be taken as a case in point. This region emerged as an engine of Irish economic acceleration and employment growth in the 1990s. The city has enjoyed the benefits of an increasing interconnectedness with the global economy, and in particular from the global mobility of capital, successfully attracting a high volume of foreign direct investment. At the same time, it has functioned as an exporting platform to European markets and beyond, contributing to the emergence of new divisions of labour across the European space-economy. Significantly, much of the new economic activity has appeared in the ‘new economy’ sectors, underpinning a wider move towards the ‘knowledge-intensive’ or ‘service’ economy and reaffirming the role of Dublin within the national, European and global economy (cf. Bannon *et al.*, 2000; Morgenroth, 2001; *inter alia*). These trends have more recently been supported by various policy initiatives. The Dublin Development Board is attempting to turn Dublin into a ‘learning city’ and the Dublin Chamber of Commerce is keen to support Dublin’s transformation into a ‘World Class e-City’. In parallel to these efforts, Dublin City Council is developing the ‘Digital Hub’, apparently seen by the Irish Government as one of the central elements in building a knowledge-driven economy in Ireland. Meanwhile, the Dublin Employment Pact has organised a series of high profile events aimed at examining Dublin’s position in the global knowledge economy. Reflecting these developments and policy initiatives, one might be tempted to label Dublin as a ‘post-industrial metropolis’ or a ‘knowledge-based city’ of Ireland, playing an increasingly central role in national competitiveness and economic prosperity. This purported success, however, has not been achieved without creating its own contradictions within the Irish space-economy, especially in terms of regional economic imbalance. Furthermore, the city itself, despite its dynamic growth, is presented with numerous challenges. Indeed, the expected benefits of the ‘new economy’ have failed to materialise for many people and whole

communities, not only in Dublin and Ireland (Killen and MacLaran, 1999; Drudy and MacLaran, 2001), but more widely in Europe and around the globe, thus opening the door for a critical examination of the conceptual approaches that “worship” the emergence of the new global knowledge era.

This paper will address the issue in the following steps. Firstly, urban and regional studies concepts, which reflect the arguments of the ‘knowledge economy’, will be revisited. Secondly, the limitations of these “knowledge-based” approaches will be highlighted. Thirdly, a sketch of an alternative conceptualisation of city-regional development will be offered. Finally, the wider theoretical and policy implications of the above will be reflected upon.

2. Conceptualising city-regions in the ‘knowledge-based’ economy

Amid a plethora of theoretical approaches, the ‘learning region’ paradigm may be seen as a model of the conceptualisation of city-regions in the “knowledge-based” economy, and of the ‘institutional’ (Amin, 1999) or ‘new regionalist’ turn (Lovering, 1999) in social sciences more widely. A striking characteristic of the ‘learning region’ is that its conceptualisation seems invariably to revolve around the notions of region, learning, knowledge and institutions: the region is considered as the most important unit of the ‘learning/knowledge economy’; its competitive ability is believed to be based on its learning and knowledge creation capacity, while this capacity is in turn supposed to be supported by appropriate regional institutions. Several different accounts of the ‘learning region’ have appeared (Florida, 1995a; Asheim, 1996; Morgan, 1997; Lagendijk, 2000; Hassink, 1997, 1999; Landabaso and Reid, 1999; Landabaso, 2000; Bellini, 2000; see also Boekema *et al.*, 2000a; Cooke, 2002; *inter alia*).

Probably the most suggestive account of the ‘learning region’, however, is the one portrayed by Richard Florida, and therefore it is worth revisiting the vision put forward in his seminal article “Toward the learning region” (Florida, 1995a). Florida asserts that instead of a shift towards a post-industrial service economy, we witness a ‘more fundamental change in the way goods are produced and the economy itself is organised’, i.e. an epochal transformation ‘from mass production to a knowledge-based economy’ (Florida, 1995a, p.534). Within such a knowledge-based economy, ‘[k]nowledge and human intelligence will replace physical labour as the main source of value’ (ibid, p.535). Regions, in his view, represent ‘a key

element of the new age of global, knowledge-based capitalism' (ibid, p.528) or 'key economic units in the global economy'¹ (ibid, p.531). For Florida, this reflects the fact that regions are 'becoming focal points for knowledge creation and learning in the new age of global, knowledge-intensive capitalism, as they in effect become *learning regions*' (ibid, p.257). These *learning regions*

'...function as collectors and repositories of knowledge and ideas, and provide the underlying environment and infrastructure which facilitates the flow of knowledge, ideas and learning' (ibid, p.257).

Part of this environment or infrastructure of a 'learning region' is, to use Florida's terms, 'manufacturing infrastructure' (including networks of firms), 'human infrastructure' (knowledge workers), good physical and communication infrastructure, a capital allocation system and financial market and effective 'industrial governance'. The latter feature includes 'formal rules, regulations and standards' as well as 'informal patterns of behaviour between and among firms, and between firms and government organizations' that are 'attuned to the needs of knowledge-intensive organizations' (ibid, p.534).

Indeed, 'knowledge-intensive organisations' are at the very heart of the 'learning region' as portrayed by Florida. A model of such a 'knowledge-intensive organisation' is a transnational corporation implanted into the heart of the 'learning region' through foreign direct investment (FDI). It is integrated with the global marketplace and able to 'harness knowledge and intelligence at all points of the organization from the R&D laboratory to the factory floor' (ibid, p.534). In the knowledge-intensive factory, teams of R&D scientists, engineers and factory workers are becoming 'collective agents of innovation', while the lines between the factory and the laboratory 'blur' (ibid, p.259). Indeed,

'[I]ike a laboratory, the knowledge-intensive factory is an increasingly clean, technologically advanced and information-rich environment [where] workers perform their tasks in clean room environments, alongside robots and machines which conduct the physical aspects of the work' (ibid, p.529).

Ultimately, what Florida evokes here is a rather benign picture of city-regions of the 'new age of capitalism'. For Florida, this 'new age of capitalism' requires a 'new kind of region',

¹ Elsewhere, Florida uses the case of a large mega city-region (Great Lakes Region) as an example of a 'learning region' (see Florida, 1995b).

which would be modelled around the principles of the knowledge-intensive firms. These are likely ‘to blend the ability of Silicon Valley-style high-technology companies to spur individual genius and creativity, with strategies and techniques for continuous improvement and the ‘collective mobilization of knowledge’ (ibid, p.534). The ‘learning region’ must therefore ‘develop *governance structures* which reflect and mimic those of knowledge-firms’ (ibid, p.534; emphasis added), i.e. to embrace principles of knowledge creation and continuous learning (ibid, p.532).

Many authors have contributed to the debate on what the *governance structures* for successful city-regions alluded to by Florida should look like. Interestingly, on both sides of the Atlantic, the discussion on this topic seems to have been fuelled by a common set of arguments. At the centre, there appears to be the conviction that key elements in the promotion of learning and knowledge creation (and thus ultimately of economic success) are *formal and informal institutions* operating at the regional level. Indeed, a set of *informal* institutions such as habits, conventions and rules of conduct, which are lubricated by co-operative culture and trust (Storper, 1997a; Cooke, 1998; Maskell *et al.*, 1998; Maskell and Malmberg, 1999, p.16-17; inter alia), are believed to be crucial in fostering successful ‘collective learning’. In successful regions, these place-specific informal institutional factors are often supported by locally/regionally-based *formal* institutions such as financial institutions, local chambers of commerce, training agencies, trade associations, local authorities, development agencies, innovation centres, clerical bodies, unions, government agencies, business service organisations and marketing boards (Amin and Thrift, 1994b, p.14). These institutions are believed to facilitate the exchange of knowledge and ideas between local/regional actors, guarantee continuous innovation and ensure the co-ordination of local/regional action for the benefit of all participants (Amin, 1999; Amin and Thrift, 1994a, 1999; Cooke and Morgan, 1998; Storper and Scott, 1995; Storper, 1997a, 1999; inter alia). Consequently, thanks to ‘localised learning’ and ‘institutional endowments’ (Maskell *et al.*, 1998, p.97), ‘learning regions’ can thrive in the ‘global knowledge economy’ (cf. Florida, 1995a).

Furthermore, for several authors, the ‘learning region’ paradigm represents a “radical democratic agenda” (Amin and Thrift, 1999, p.308) as well. Such an agenda would ensure that *economic efficiency* is combined with *social equity* (ibid, p.306-308; see also Cooke and Morgan, 1998 for similar arguments) through active participation (via ‘associationist’ structures) across economy, state and civil society which would give a voice to previously excluded or marginalized groups of people (Amin and Thrift, 1999, p.308). It is not

surprising, then, that the prospect of both economically competitive *and* socially cohesive ‘learning regions’ has been met with such extraordinary attention in policy circles (Legendijk and Cornford, 2000). ‘Learning regions’ and similar concepts have quickly become examples of ‘best practice’ in local and regional development (Malecki, 2000, p.114) and have been enthusiastically embraced by policy-makers across the world as models for city-regional governance. However, it appears that the city-regional concepts based on learning, knowledge creation and localised capabilities, suffer serious shortcomings, to which we now turn.

3. Limitations of the “knowledge-based” approaches

Indeed, the ‘learning region’ concept itself and ‘new economic geography’/‘new regionalism’ more widely has been subjected to serious criticisms (Hudson, 1999; Lovering, 1999; Markusen, 1999a; Smith et al., 1999; Martin and Sunley, 2001a; MacKinnon et al., 2002; inter alia). These criticisms highlight problems with the basic terms and definitions (including the notions of region, knowledge, learning and institution), overall fuzzy conceptualisation, the lack of empirical evidence and, finally, limited policy relevance. This paper aims to further this critique by addressing the issue of the ‘knowledge-based’ or ‘knowledge-driven’ economy itself. Two fundamental questions emerge here.

The first question is whether we are really experiencing a transition to a ‘knowledge-based’ or ‘knowledge-driven’ economy. This paper supports the view that there is no convincing evidence that (even the most advanced) economies have actually moved beyond the (capitalist) market economy. Indeed, many ‘knowledge economy’ enthusiasts themselves acknowledge that despite the alleged ‘radical’ transformation, the economy remains capitalist (cf. Florida, 1995a; inter alia). If we acknowledge this, however, we must then question whether contemporary economies can be seen as *knowledge-driven*. Rather, it should be admitted that the capitalist market economy is, and always was, *profit-driven*. Within such an economy, the final goal is not knowledge but profit. In fact, the importance of the market imperative for profit is likely to increase with the advance of neo-liberal globalisation. This is not to say that knowledge does not play an important role; indeed, knowledge can be a part of a profit-seeking process (and probably always was). But it is neither the only nor necessarily the most important part of the process. Indeed, the crucial evidence of the *growing* importance of knowledge for economic development is still missing. Therefore, the notion

that we are witnessing a transition towards a ‘knowledge-driven’ economy cannot be taken for granted (see Sokol, 2003a, 2003b; for more details; see also Sokol, 2002).

The second question that needs to be examined (on a more abstract level) is whether an economy can be *knowledge*-driven at all. Indeed, the concepts that highlight *knowledge* as the main (if not the only) factor of economic growth need to be scrutinised. In other words, the very assumption that knowledge creates wealth (central to the ‘knowledge-driven economy’ thesis) should be seen in a critical light. Indeed, at best, such an assumption could be seen as an oversimplification that does not take into account the influence of other factors, such as, for example, power. At worst, such an assumption may be misleading as it overlooks the possibility of a reversed causality (i.e. that wealth creates knowledge). Acknowledging the existence of the reversed causality, of course, means turning the logic of the ‘knowledge-driven economy’ upside down. As a result, the picture of a simple, one-directional relationship between ‘knowledge’ and ‘wealth’ disintegrates, while a more complex (but perhaps more accurate) matrix emerges. This matrix would consider ‘knowledge’, ‘wealth’ and ‘power’ as being mutually linked through a web of complex, multidirectional, direct and indirect relations (Sokol, 2003a, 2003b; Sokol and Tomaney, 2001).

Such a situation places a question mark over the concepts that regard *knowledge* and *learning* as key explanatory factors of city-regional development. A fundamental question arises: are city-regions economically successful *because* they are knowledge-intensive, or are they knowledge-intensive as a consequence of the fact that they are economically successful? Such a dilemma can be resolved, at least on an abstract level, by acknowledging the possibility of the mutually reinforcing process between knowledge and wealth, i.e. through increasing returns from investment in the knowledge-base. However, a much more complicated picture emerges when such a possibility is considered at the urban/regional level. Indeed, placing the city-region back into the context of the wider political economy results in a much more complex picture of the flow of knowledge and wealth, with ambivalent implications for urban/regional prosperity. The acknowledgement of the circular and cumulative causation process between knowledge, wealth and power in a socio-economic system and its introduction into a spatial context, has further implications for an alternative conceptualisation of the space-economy. While the principles of the circular and cumulative causation process in the spatial context are well known (Myrdal, 1957; Kaldor, 1970), once these are complemented by the insertion of the categories of knowledge and power into the equation, we may see the following picture of polarising space-economic processes emerge.

On one side of the process, one could imagine economically successful city-regions that have resources to invest in quality education and costly research and development (R&D) activities. Innovations emerging from such investment can be turned into profits and these re-invested back into the regional 'knowledge-base' and its infrastructure, resulting in 'cumulative learning' (cf. Maskell *et al.*, 1998, p.184; Landabaso, 2000, p.83), which attracts further investment and skilled workers and creates a possible 'virtuous circle' scenario (see also Malecki, 2002, p.931; Thwaites and Oahey, 1985b, p.6). Indeed, such city-regions are often described as 'magnets' (Malecki, 2000, p.119, Castells and Hall, 1994, p.26) or 'sticky places' (Markusen, 1999b) for both capital and labour and can be considered as regional 'winners' (Dunford, 1994; see also Hudson *et al.*, 1997). 'Winners' are usually close to international transport hubs (Simmie, 2002a) and well endowed by information and communication infrastructure (Graham and Marvin, 1996, 2001), benefiting the most from the 'information revolution' (see also Thwaites and Oahey, 1985b, p.2-3; Goddard *et al.* 1985). However, building on previous rounds of long-term investment, such agglomerations of high-value 'knowledge-sub-economies' (seen by some as 'knowledge cities' or 'learning regions') tend to be found in the most-advanced countries (cf. Benko, 1991), often within or close to established economic 'hotspots' such as large metropolitan areas (Castells and Hall, 1994; Castells, 1996, p.390; see also Simmie, 2001; Simmie, 2002a, 2002b, 2002c; Simmie *et al.*, 2002). Such economic 'hotspots' represent vibrant markets further stimulating demand for innovation (cf. Schmookler, 1966), thus further cementing economic growth² (see also Scott and Storper, 2003, p.584). Meanwhile, the rise of an economic power may be accompanied by a build-up of the institutional/power base and political influence of a given region (cf. Markusen, 1999a, p.877).

On the adverse side of the circular and cumulative causation process, however, are less favoured areas, cities and regions that can be trapped in a 'vicious circle', stripped of both investment and talented 'knowledge workers'. Due to the adverse side of this 'cherry picking', such places are usually less endowed by the modern communication infrastructure (Graham and Marvin, 1996; 2001) or emerge as 'off-line' (Robins and Gillespie, 1992) or 'switched-off' territories (Castells, 1996; see also Gillespie, 1991; Richardson and Gillespie, 2000; Gillespie *et al.*, 2001). Such cities and regions seem to lack both 'hard' and 'soft' networks for competitiveness (cf. Malecki, 2002) and their innovation effort risks being 'like trying to fertilise a small field when the wind is blowing' (Maskell *et al.*, 1998, p.87), as the

² Economic prosperity resulting from such 'cumulative advantage' creates the potential for a more equitable distribution of income *within* a city-region. However, many economically 'successful' city-regions continue to display striking patterns of social inequality (Castells and Hall, 1994; Castells, 1996; Sassen, 2001; *inter alia*).

benefits of such an exercise are absorbed by more prosperous competitors (see also Thwaites and Oakey, 1985b, p.3). Amid a disintegrating economic and social structure, these areas usually suffer from above-average levels of unemployment and below-average wages, attracting low value-added production only, thus pushing a city-region further away from a ‘high-road’ development path. Development trajectories of such places are thus curbed by their own historical legacies as well as the current wider political economy (Amin and Tomaney, 1995; Sokol, 2003a). Indeed, less favoured city-regions face competition from other city-regions, while being affected by the power and mobility of global capital, the constraints of national, supra-national and global regulatory bodies, and the power(lessness) and (im)mobility of labour (Sokol and Tomaney, 2001). In addition to economic subordination, less favoured areas may find their institutional structures being eroded and their power influence fading away, compounding their ‘cumulative disadvantage’.

It goes without saying that, if the processes described above are at work, we should be witnessing an increasing polarisation of space-economies across the world. While this is still the subject of debate, there is some evidence to support such a conclusion (cf. Storper and Scott, 2003, p.585-586), regardless of the fact that the above picture of city-regional development is but a caricature, a rough sketch and gross oversimplification of processes occurring in the real space-economy. Nevertheless, the above model highlights the interdependence of the fortunes of city-regions and the limitations of ‘knowledge-driven’ approaches. It thus opens a way for alternative conceptualisations that would offer a better understanding of the forces shaping the economic future of cities and regions.

4. Towards an alternative conceptualisation

The purpose of this section is to sketch out the factors on which a possible alternative conceptualisation of urban and regional economic development might be based. Building on parts of the ‘radical’ and ‘institutional/evolutionary’ approaches, such an alternative could first attempt to address the question of a definition of the city-region and regional institutions, and subsequently to argue that city-regions need to be seen within the context of a wider profit-driven political economy and long-term historical legacies. Finally, building on the notions introduced elsewhere (see Sokol, 2003a, 2003b), it should embrace the concepts of ‘socio-spatial divisions of labour’ and ‘socio-spatial value chains’ (or value networks) for the benefit of the analysis of city-regional development.

The starting point for such alternative conceptualisation (and a more thorough definition of a city-region) is the acknowledgement that the economy is an *institutionalised social process*, in which institutions are at the same time objects, subjects and outcomes of social struggles over wealth, power and knowledge. A step further in such a conceptualisation would be to argue that a *city-region* is an institution emerging from, and being part of, economic, cultural and political struggles on a certain geographical scale. Thus, extending a recent ‘evolutionary’ definition of a region as being a ‘negotiated *outcome* of a process’ which produces a particular collective social order (Cooke and Morgan, 1998, p.64, emphasis added), the definition proposed here sees a city-region as the *outcome, object* and *subject* of social struggles in a given territorial context (cf. Allen et al., 1998). Subsequently, *city-regional institutions* may be defined as being constituent parts of a city-region, themselves emerging from particular social struggles and embedded in wider institutional contexts.

Defining the city-region as being an outcome as much as an object and subject of social struggles creates room for thinking of city-regions (or their institutions) as potentially *active participants* of economic processes. At the same time, however, such conceptualisation recognises the need to situate the city-region within wider processes that impinge upon its fortunes and impose constraints on local action. Indeed, there is a need to situate the city-region not only with respect to its own ‘internal’ struggles, but also within the context of ‘external’ struggles, that the region and/or its institutions may engage in vis-à-vis various other levels of state (local, national or supranational), different fractions of capital and/or labour. Besides, cities and regions may be engaged in competition with other cities and regions. In the profit-driven economy, it seems that the major battle is being waged around wealth or profit (see Sokol, 2003a). It is argued here that the two major factors influencing the success of the region in these profit-driven struggles relates to its own historical legacies and its position within the wider political economy. These historical legacies refer to both ‘hard’ legacies - economic and political structures inherited from previous phases of development (or decline) - as well as ‘soft’ socio-cultural and institutional legacies. What is of critical importance is how these historical legacies, which have become more deeply embedded through the centuries, interact with the imperatives of the current wider political economy. Also of importance is to what extent city-regional institutions can impact on such a process. However, the underlying determinant of economic success is the way the region and its institutions, including capital and labour, are inserted into the wider *divisions of labour* and *flows of value* – the two concepts to which we now turn.

The *division of labour* is judged ‘a universal characteristic of human social life’ (Rueschemeyer, 1986, p.2) as a process underlying a shift towards more complex social structures. In the capitalist economy, the division of labour is a necessary condition for commodity production and the operation of the market, while being a product of particular economic and social relations (Bottomore, 1991, p.153-156). Such a division of labour within society encompasses two dimensions; the division of labour within production under the direct control of capital, and divisions of labour within the wider society and between different fractions of capital or private producers (ibid, p.154). However, as the world does not operate ‘on the head of a pin’ (Massey, 1995, p.51) the *social* division of labour always involves the *spatial* dimension. Such ‘*spatial* divisions of labour’ have been examined in the national (Massey, 1984, 1995) as well as international contexts³ (Henderson, 1989; Lipietz, 1986; see also Johnston, 1986; Castells, 1993, 1996; Dicken, 1998). However, the acknowledgement of both social *and* spatial aspects of such divisions of labour lead us to consider the use of the notion of ‘*socio-spatial* divisions of labour’ as being more appropriate. Elsewhere, such ‘socio-spatial divisions of labour’ have been tentatively defined as the way production is organised between and within capital, labour and state (Sokol, 2003a, 2003b), while seen as part of a stretching of the social relations of capitalism over *space* (Harvey, 1999; Massey, 1984, 1995; see also Sayer and Walker, 1992; Jessop, 2000).

The crucial feature of such relations, however, is not the ‘divisions of labour of labour’ *per se*, but the way *value* is appropriated and distributed between and within the institutional actors of the political economy on the back of such ‘divisions of labour’. In other words, it is the *flow of value*, both within society and between territories that underpins uneven economic development. A significant recent contribution on the topic has been offered by Smith, Rainnie, Dunford, Hardy, Hudson and Sadler (2002). Starting with a critical evaluation of the concept of ‘global commodity chains’ (Gereffi and Korzeniewicz, 1994), defined as ‘sets of interorganizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world-economy’ (Gereffi et al., 1994, p.2), Smith et al. (2002) have argued that it is not the ‘commodity’ *per se*, but the *value* the commodity embodies that should provide the central focus of economic geography analysis. Furthermore, they contend that instead of a linear notion of ‘chains’, it is more appropriate to see commodity and value production as being organised in ‘networks’. Last, but not least, in contrast to the ‘global commodity chain’ school, Smith et al. put the state and labour firmly on the analytical agenda and call for ‘more systematic analysis of the relations

³ It is worth noting that the concept of ‘spatial divisions of labour’ itself has been subject to debate (cf. Warde, 1985, and Massey, 1995, chap.8).

between capital, the state and labour in the production, circulation and realisation of commodities' (ibid, p.47-48). They conclude that it is

'the organization of the production, appropriation and realization of value flows and the various forces that impinge upon this process – state governance, labour organization, corporate practices and so on – that are fundamental to understanding the (re)configuration of economic activity in increasingly integrated macro-regional economies' (Smith et al., 2002, p.42-43).

Adrian Smith and his colleagues also offer cogent empirical evidence through which they 'operationalise' their theoretical construction. The cases evoked include examples of emerging value networks within the 'New Europe' and North America, highlighting differentials of *power* and *value* between economic actors situated in particular sectors in particular places (ibid, p.58). Consequently, it is the prism of uneven *governance of flows of value* that 'potentially allows for an understanding of *which actors* and *which places* benefit from or lose out from such flows' (ibid, p.54, emphasis orig.). While the approach by Smith at al. (2002) perhaps offers a potential for further development, it provides a solid basis on which an alternative framework for an understanding of city-regional development may be built.

5. Conclusions

The aim of this paper has been to critically examine the recent approaches of city-regional governance that place knowledge, learning and institutions at the forefront of their conceptualisation. The critique of such approaches, in turn, has opened the way for an alternative conceptualisation of the current political economy. Building on parts of the 'radical' and 'institutional/evolutionary' approaches, this alternative could start by acknowledging that the economy should be conceptualised as an 'institutionalised social process'. As such, the economy is shaped by institutions that can simultaneously be seen as being objects, subjects and outcomes of struggles over knowledge, wealth and power⁴.

This paper supports the view that there are important continuities with the past in these struggles and that the current socio-economic transformations in the most advanced market

⁴ Hence the use of terms such as 'socio-economy' or 'political economy' seems to be more appropriate.

economies are unfolding *within* the framework of capitalist political economy. Consequently, the institutions of labour, state (local, regional, national, supranational) and capital (productive and financial), seem to have continuing salience in shaping socio-economic transformations where contradictions and conflict remain pertinent features. However, in what appears to be an increasingly neo-liberal *profit*-driven economy, it is the global capital that is gaining momentum, supported by institutions of global economic governance (emerging as a category of institution in its own right). Indeed, global capital seems to play a pivotal role in shaping emerging global ‘socio-spatial divisions of labour’ accompanied by global ‘socio-spatial value chains/networks’ – two concepts proposed to capture the workings of the global political economy. Within such a political economy, the role of *knowledge* is perhaps changing indeed - in that it is increasingly commodified (see May, 2002). The commodification of knowledge in turn allows for the emergence of what could be seen as a ‘knowledge-intensive sub-economy’, but this has to be seen in conjunction with the growing socio-spatial division of labour within the overall *profit*-driven economy framework. Therefore, instead of a widespread knowledge-sharing process, what may be expected is the process of knowledge accumulation as part of a wider circular and cumulative causation mechanism, in which knowledge, power and wealth reinforce each other with significant social and spatial effects (Sokol, 2003a, 2003b).

Such theoretical conclusions have potentially profound implications for policy action. It might be argued that it is the ***governance of flows of value*** that should constitute the focus of attention for policy-makers at all levels. Further to this, it could be suggested that only through a more equitable (re)distribution of wealth, power and knowledge to disadvantaged people, communities and city-regions will the goals of more balanced and sustainable social and economic development be achieved in the future.

