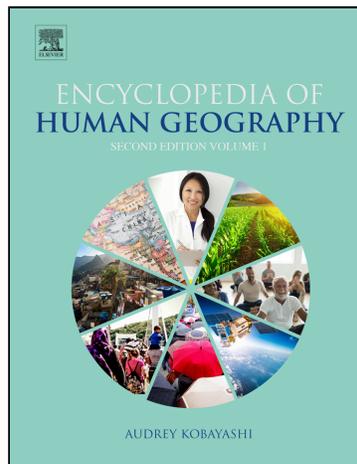


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Economic Geography

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Glossary

Megaregion A unit of analysis in economic analysis that joins physically adjacent settlement areas together and is always larger than the metropolitan areas that it contains.

Spikiness The tendency for economic activity to cluster together in space at various spatial scales.

There is no more important time to study economic geography. As a field, economic geography encompasses two things. It is both the way economic activity is organized across space, and an academic discipline that develops theory, ideas, and research to explain why economic activity is organized the way it is. For most of human history, economic activity sprung up around natural resources—farms around fertile soil, trading activities around natural ports, harbors or nodes between cities, and later factories and industrial activity around natural resources like water power, coal, petroleum, or iron ore. But economic activity today faces few such constraints. Today, economic geography is shaped by a basic dualism. On the one hand, economic activity is expanding rapidly and spreading out all across the globe. On the other hand, economic activity is increasingly concentrating in global cities and in distinct districts within them as the clustering of knowledge, ideas, and talent has become the principal driver of innovation, productivity, and economic growth. This clustering of economic activity also shapes some of the biggest political and economic challenges of our time. The rise of global cities challenges the historical role of the nation-state which has become increasingly irrelevant and, in some cases, dysfunctional. Such clustering also gives rise to winner and losers across the world's cities and regions—a process of growing spatial inequality—which has led to deep political divides and polarization and the rise of backward-looking populist movements.

Up until about a century and a half ago, until the great Industrial Revolution of the 18th and 19th centuries, economic geography was more predictable. The location of firms, workers, and settlement generally was dictated by agricultural conditions, resource availability, access to natural ports and harbors to facilitate trade, and access to trading routes between ports.

For most of human history, people settled in agricultural land rural areas outside of what we now think of as cities. Just 3% of the world's population lived in cities in 1800. As late as the year 1900, about half of all workers in the most advanced societies of Europe and North America were employed in agriculture. Advances in rail transportation enabled cities to expand. But cities were still relatively small. There were just a dozen cities across the world with populations over 1 million people. And just 15% of world population lived in cities and urban areas.

All of that changed with the Industrial Revolution. As the economy shifted from rural agriculture and artisanal manufacturing to large-scale industrial production, more and more economic activity and population grew up around cities, both existing trading and financial hubs like London and New York, and new industrial cities like Pittsburg and Detroit. By 1950, across the advanced industrial world roughly half of the workforce was employed in manufacturing industries. As this happened cities and urban areas grew large and larger. In 1950, there were more than 80 cities worldwide that housed more than 1 million people, the largest being New York and London with 12 million people each. Still, in the middle of the 20th Century, just 30% of the world's population lived in cities and urban areas (Fig. 1).

Economic geography has been powerfully redrawn as the economy has shifted from a dependence upon standardized manufacturing and natural resources to a new, more knowledge-based economy. As the share of the workforce employed in agriculture and manufacturing has shrunk to roughly 1% and 5%, respectively, a new class of workers engaged in knowledge, professional, and creative work has emerged, and makes up between a third and 45% of the workforce in the most advanced nations of the world. The rise of this knowledge or creative economy has been accompanied by a rapid wave of urbanization. Today, more than half the world's population lives in cities and urban areas and the average urban area is much larger.

There are now 500 cities with more than 1 million people. And the world's largest cities have more than 20 million people. And urbanization shows no signs of slowing down; indeed, it is accelerating. Over the course of the next century, it is projected that more than 85% of the world's population will live in cities, as urbanization sweeps across Asia, the Middle East, and Africa.

The rise of the new knowledge-based economy has reshaped economic geography in fundamental ways. On the one hand, knowledge work is not tethered to the location of natural resources, and its location is less dictated by distance to markets because shipping costs for ideas are very low. It is therefore more possible for knowledge production to happen in many places. Digital technologies have made it even easier to trade at a great distance and to plug and play from anywhere into the world economy. Some have seen this as evidence of the “death of distance,” the end of geography, and “the world is flat.”

But, on the other hand, because knowledge-based economic growth is advantaged by the clustering of knowledge, ideas, and talent. Firms and workers cluster together in space to pool resources, gain access to talent and knowledge, and generate new ideas.

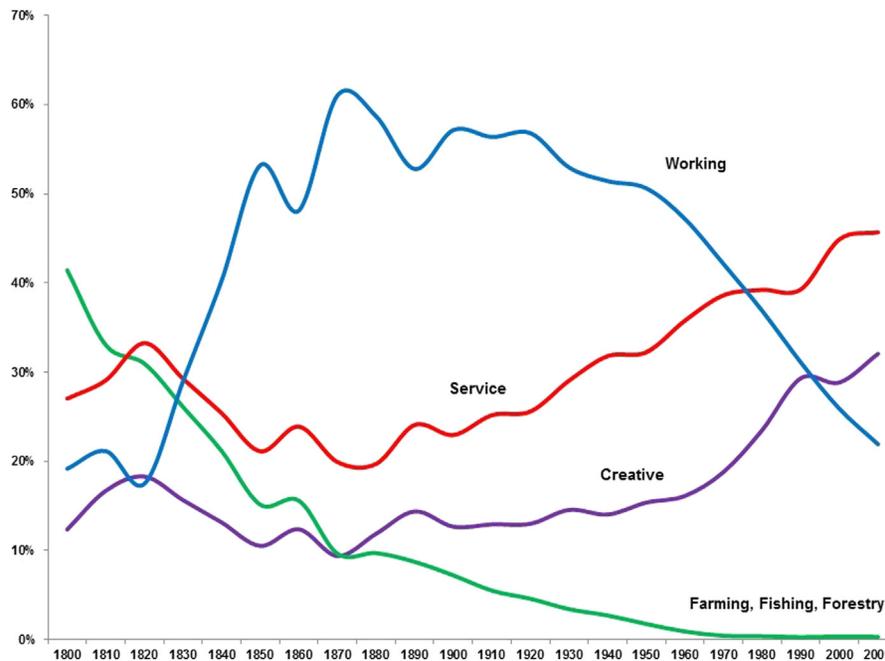


Figure 1 The growth of creative work over time.

As a result, economic activity has increasingly concentrated and clustered in a relatively small number of global cities. The city increasingly functions as the basic organizing unit of the knowledge economy, taking on a role analogous to the farm in the agricultural age and the large corporation in the industrial age.

Today, just the world's 300 largest cities or metropolitan areas produce nearly half of the world's economic output, despite hosting just 20% of the world's population. Cities have become larger and more economically powerful than many nations. Tokyo's economy, for example, is roughly the same size of South Korea, making it in effect the world's 15th largest economy; New York's economy is comparable to Canada; Los Angeles to Australia; and London to the Netherlands. And, the Innovation and startup companies, which increasingly power economic growth, are even more concentrated, with more than 40% of venture capital backed startups in the world concentrated in the San Francisco Bay Area and across the New York–Boston–Washington, DC, corridor (Fig. 2).

Today, we are seeing the rise of a new and even bigger economic unit—the megaregion which is essentially a set of interconnected cities and metropolitan areas. The classic example of a megaregion is the broad corridor that runs from Boston through New York and Washington, DC. It is home to more than 50 million people and has an economy of \$3.6 trillion US dollars, much larger than the economy of the United Kingdom, France, and India, and equivalent to the fifth largest economy in the world (Fig. 3).

But, this new highly clustered and concentrated economic geography creates a new kind of inequality, with a small set of places that are winners and a much larger places that are losers. Even more so that economic inequality, it is this geographic or spatial inequality that is the central fault line of our time. The knowledge economy has given rise to both a winner-take-all economy and a winner-take-all urbanism, where a small group of cities across the world attracts the lion's share of the world's talent, leading edge industries and other economic assets, and many more places stagnate or fall behind.

Shaped by this winner-take-all dynamic, economic geography today is organized into several kinds of places. On top are the winners, the superstar cities like New York, London, Paris, Berlin Toronto, and Stockholm; Tokyo, Hong Kong, and Singapore that stand at the very pinnacle of the world economy. Next in line are the places like Shanghai, Dublin, and Taipei and also places like Guadalajara, Tijuana, and Manila that increasingly produce the world's goods, take its calls, and support its superstar centers. Beneath them are the megacities of the developing world—with large population concentrations but insufficient economic activity to support their people. Many of these megacities are ravaged by large-scale global slums with dense concentrations of homelessness, poverty, and deprivation; high levels of social and political unrest; and little meaningful economic activity. Then there are the far-flung rural places of the world with little concentration of population or economic activity, and little connection to the global economy.

And, even the winners of this new economic geography are beset by problems. After more than a half century or outward suburban expansion, the past two decades or so have seen a powerful back-to-the-city movement. Suburbanization can be thought of as the economic geographic expression of the industrial economy. The industrial economy generated productivity largely through the combination of scientific management of factory production and the introduction of the mass production assembly line. Suburbanization helped to stoke the engine of the mass production economy. The mass movement of working- and middle-class families from the cities to the suburbs and into newly built and larger suburban homes created huge demand for cars, refrigerators, television sets, radios, washers and dryers, air conditioners, and other products being produced on those mass production factories. In fact, the

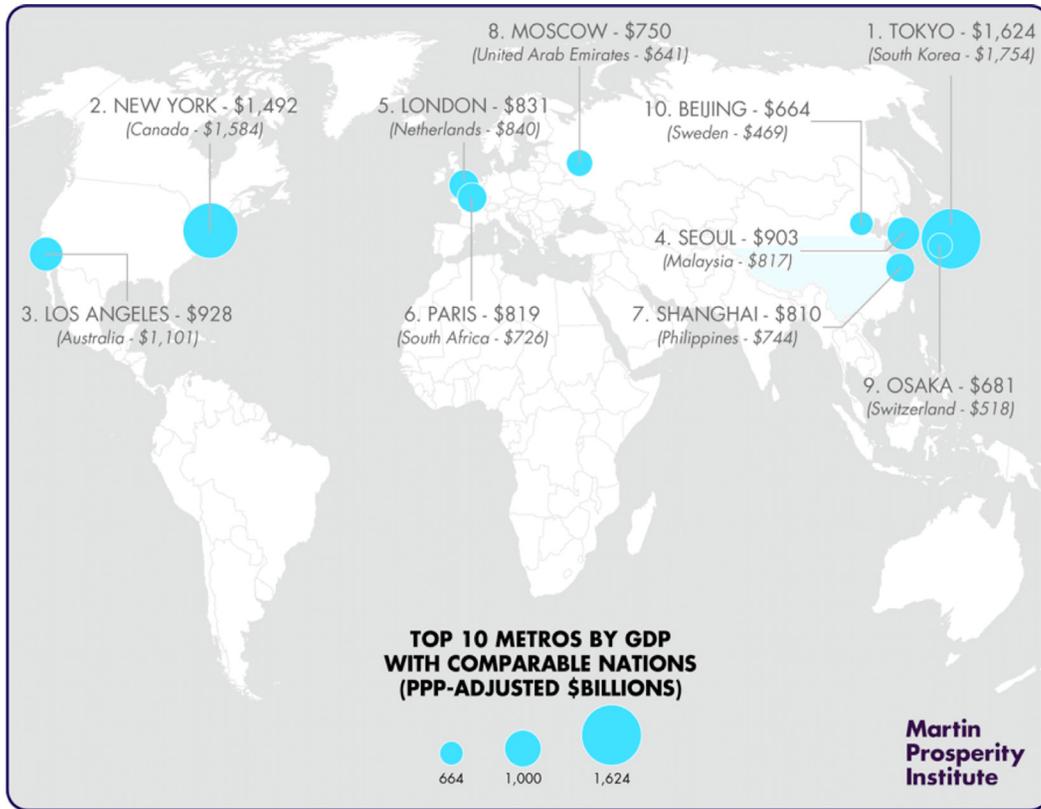


Figure 2 Top 10 metro regions by GDP with comparable nations. Source Author.

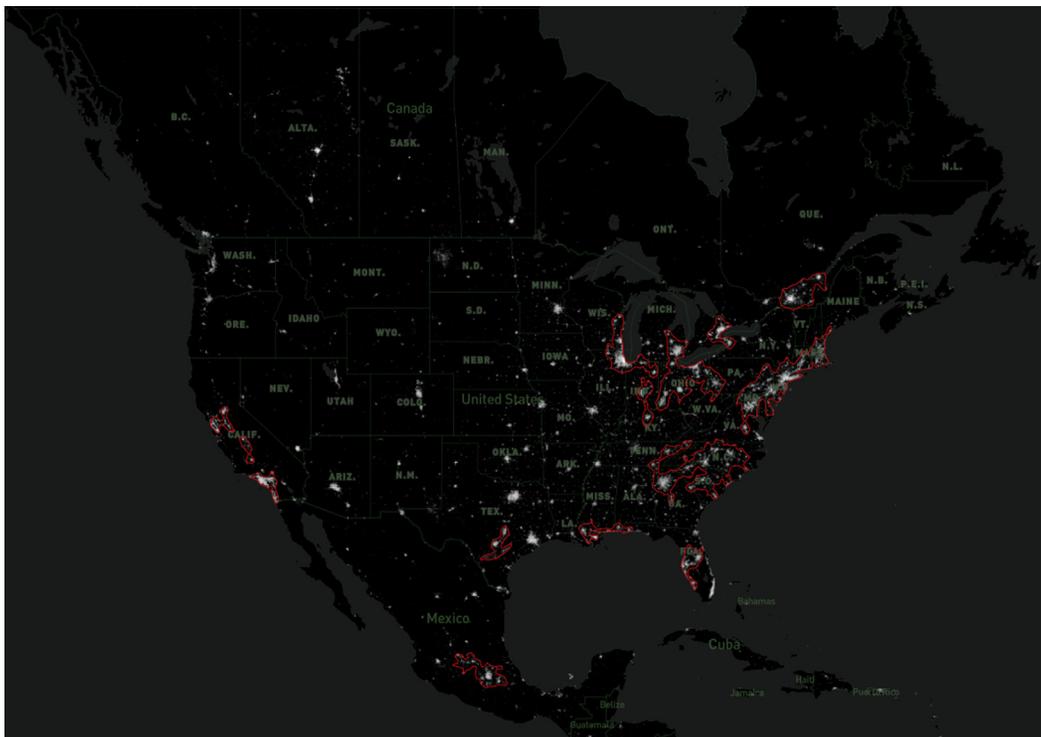


Figure 3 Light-based megaregions (2018). Source: Fabio Dias, University of Toronto.

combination of the mass production factory system put into wide spread use by Henry Ford and Ford Motor Company and mass suburbanization came to be referred to as Fordism. As mass suburbanization led to the shift of population, industry, and commerce from the city to the suburbs, many older industrial cities, especially those in the United States, lost their core economic function and lapsed into economic decay and urban crisis defined by high concentrations of poverty, weakened tax bases, and rising crime rates.

The rise of the knowledge economy has not only shaped winners and losers on a global level, it has fueled a powerful back-to-the-city movement that has disproportionately brought more highly educated and affluent households and knowledge-based industries to large global cities like London; Paris; Amsterdam; Stockholm; New York; Boston; San Francisco; Washington, DC; Seattle; Toronto; and Vancouver. This great migration of young, educated, and affluent households back to the city and the rising housing prices it has brought has been dubbed gentrification. Ironically, it has shaped a new urban crisis, not of economic decay and dysfunction but of urban success as housing has become increasingly unaffordable for the working and middle classes, as the gap between the rich and poor and their neighborhoods has risen. As the middle class has been driven out of these cities due largely to high costs, their once-thriving, middle-class neighborhoods which served as the basis for social cohesion, economic opportunity, and upward mobility have been eviscerated and the economic geography of these cities has come to be defined by small areas of concentrated affluence and advantage surrounded by much larger spans of concentrated poverty and economic disadvantage. This has happened at the same time that the gap between these successful global cities and smaller- and medium-sized places as well as far-lung suburbs and rural areas has grown, creating new geographic divides and spatial inequality both within and between cities.

The political consequence of these growing geographic divides between the winners and losers of globalization and the knowledge economy is a growing backlash rooted in the growing anger, anxiety, resentment, and fear faced by those locked out of the world's economic centers. Globalization has shaped a potent clustering and sorting process separates winners and losers across cities, within nations and between them. Little wonder we find ourselves living in an increasingly fractured global society, in which growing numbers are ready to vote—or tear—down what they perceive to be the economic elite of the world. Such growing spatial inequality is what propels the growing populist backlash across the world from Brexit in the United Kingdom, nationalist parties across Europe, and the rise of Donald Trump in the United States.

While the clustering of talent and economic activity transforms cities into hubs of innovation that power economic growth, it also etches deep divides into society. And in doing so, it propels the populist backlash that threatens our cities and our very sources of economic and social progress. Class conflict is no longer to the factory floor as Marx wrote, but over place and geography. Just as cities are the nexus of innovation, growth, and prosperity, they have also become the nexus of class conflict.

This geographic inequality is the greatest challenge of our time. It will require empowering cities and communities across the world and developing new strategies to lift up the places that are struggling, stagnating, and being left behind. That means shifting from our current pattern of winner-take-all cities to a new and more inclusive process of inclusive urbanism for all, in which all communities and all classes can participate and benefit.

See Also: Cultural Turn; Global Commodity Chains; Industrial Districts; Location Theory.

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