Review of: ***The Associational Economy*****: *Firms, Regions and Innovation*, by Philip Cooke and Kevin Morgan, Oxford University Press, 1998, 247 pages.**

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Why do some regions grow faster than others? Why are some more innovative? How do geographic factors - like proximity - affect the process of technological change?

After a long absence, these important questions are back on the agenda of economists and other students of technological change.

The Associational Economy by Philip Cooke and Kevin Morgan – specialists in regional development at the University of Wales - provides a useful and important primer on these questions for all those interested in the regional dimensions of innovation and economic development.

The authors are extremely well read and provide a useful and excellent work of theoretical synthesis, integrating a wide body of theory – from Joseph Schumpeter and Alfred Marshall to evolutionary economics, increasing returns, path dependence, organizational learning, social capital, and agglomeration.

The *Associational Economy* highlights the central role played by regions in the processes of innovation and economic growth, zeroing in ways that proximity promotes the learning and the mobilization of knowledge assets. Cooke and Morgan argue that regions work through proximity to mobilize interactions - or "associative capabilities" - that generate innovation, learning and economic growth. They advance the concept of regional innovation systems - operating within and across the boundaries of nation-states - to cover the institutional arrangements, which motivate regional innovation and economic growth. This should be of particular interests to students of technological change, given the growing body of literature on national innovation system. To what degree are these two overlapping set of innovation systems complementary, or alternately, at odds?

The authors extend their conception of the associational economy to cover trends in government and public policy, suggesting the rise of what they term the "associative state." Powering this shift to the associative state are underlying shifts toward the regionalization of economic activity, the attendant devolution of government functions, and the transfer ("privatization") of former government functions to private providers and non-profit or "intermediary "organizations. But, they point out, the state is not withering away. For them, the associative state is a leaner and but more effective version of the "thicker" Keynesian state from which it descends.

Cooke and Morgan back their theoretical claims with solid empirical analysis of four European regions: Italy's' Emila Romagana, Germany's Baden-Wurrtemburg, Spain's Basque Country and the greater Cardiff region of Wales. This empirical work integrates field research, archival research, survey research and analysis of various sorts of statistics.

The case studies are well done, and in the case of Wales bring a host of new evidence to the table. In fact, they serve as a useful model of the way empirical research of this sort can - and should - be done.

The case studies are a welcome corrective to the fashion of the moment in regional studies - call it intellectual boosterism - where scholars (mistaking description for theory) engage in a fruitless effort to prove their chosen regions are the most "flexible" or most innovative. In a welcome contrast to so much of the literature on this subject, Cooke and Morgan break completely with the notion of generating "ideal types" and show that there is no single "best way" to generate regional innovation and growth.

Perhaps the central point of the book is that innovation and growth can occur in very different institutional settings - in regions with left-wing governments and small firms, those dominated by large firms, and even in declining regions which have turned to foreign investment.

The *Associational Economy* seeks to untangle the dense thicket of technological, innovative and associative factors that undergird regional performance. For the authors, this lies in the ability of regions to harness innovative capabilities to create knowledge and learn. These underlying factors can be mobilized in all sorts of different institutional settings.

At bottom, what matters, according to Cooke and Morgan, is not some preordained list of factor endowment but the ability of regions to create new combinations - to borrow Schumpeter's famous phrase. The key lies in the ability of regions to reconfigure their built-up and inherited institutional landscapes in ways that meets the needs of new technologies and new economic actors. This associative capacity, if you will, provides the way to break out of the immobilizing bonds of path-dependence and regional lock-in. Regions according to this perspective are not just passive objects of technological change, but have the capacity to act as a subjective force - to develop offensive strategies to promote, encourage, mobilize, and even engender powerful economic and technological trends.

The book wraps up with a very nice chapter situating regional theory in the context of evolutionary economic theory - a perspective which should very much appeal to readers of *Research Policy*, who are not centrally interested in regional issues. This book is clearly worthwhile for regional specialists, but may have even more to offer economists and other students of technological innovation who want to learn more about the role of regions in the processes of innovation and economic growth.

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