

Philip McCann (Editor), *Industrial Location Economics*, Edward Elgar Publishing Limited, Cheltenham, UK, Northampton, MA, USA, 2002 (Hardback) - 2004 (Paperback)

BOOK REVIEW by Daniela L. Constantin*

Location theory is the oldest branch of regional economics and represents the substance from which regional science as a whole has subsequently rooted. It dates back into the nineteenth century, when the question about what economic activities are located where and why started getting a great importance to the production and consumption choices made by firms and households.

Location theory has been permanently developed, combining microeconomic approaches based on firm location models (e.g. W. Laundhard (1885), A. Weber (1909), H. Hotelling (1929), L.N. Moses (1958), M.L. Greenhut (1970) and so on) with macroeconomic approaches focused on spatial distribution of economic activities (e.g. J.H. von Thünen (1842), W. Christaller (1933), A. Lösch (1940 1944), W. Isard (1953), B. Chinitz (1961), R. Vernon (1966), H. Richardson (1978), P. Aydalot and D. Keeble (1988), M. Fujita and P. Krugman (1995) and so on). It has proved an extraordinary capacity to adapt to the new realities generated by the economic progress, offering the adequate methodological framework of analysis and rational solutions to the more and more complex problems of the space economy relationship.

The book *Industrial Location Economics* published by Edward Elgar Publishing Limited is a highly relevant

example in this respect. The Editor, Professor Philip McCann from the University of Reading, UK, a brilliant representative of the new generation of regional scientists, has succeeded in attracting around this subject internationally renowned scholars belonging to top universities from Austria, the Netherlands, UK, Italy, Canada, USA and Japan. They address a variety of topics concentrating on the spatial behaviour of individual firms and the growth and generation of industrial clusters and cities, offering an original, comparison and contrast-based combination of classical and more recent approaches to location analysis.

As mentioned in the cover presentation, "the general theme which runs throughout the book is that successful industrial location analysis depends on both the nature of location questions to be addressed and the appropriate choice of analytical methodology". This idea is confirmed by the content and the structure of the book, which is divided into three parts, in accordance with the types of industrial location issues considered.

Part I - "Analytical Approaches to Industrial Location", highlights both various types of analytical questions specific to the location theory and a wide range of analytical techniques for studying these questions.

In the first chapter, concentrating

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on classical and neoclassical location-production models Philip McCann aims to present how the microeconomic production theory, almost always considered aspatial in nature, can be set within an explicitly spatial framework, pointing out the influence of changes in spatial economic costs (distance-transaction based) upon the optimum location of the firm. The author emphasizes the significance of the presented models' results to firm behaviour in reality, offering as examples the spatial behaviour of plants producing automobiles, computers, steel or chemicals as well as the location choices of multinational firms based on alternative sites for new plant investment.

In Chapter 2 John Parr focuses on the location of economic activity from the perspective of central place theory and the wider economic system. Reviewing the path-breaking works of Walter Christaller and August Lösch, which laid the foundations of central place theory, concerned with the location of economic activity as a basis of an urban system, he provides a series of reasons to explain why the central place theory was not entirely satisfactory as a general theory for understanding the urban system. A sketch of the wider urban system is also provided, pointing out two areas that require a particular attention in the future studies, namely the need for a more comprehensive economic analysis of the urban system and a deeper insight into the manner in which the urban system develops over time.

In Chapter 3 Dirk Stelder addresses the question of geographical grids in 'new economic geography' models. He starts from the major empirical shortcoming of the most 'new economic geography' models, that is the use of very abstract one-dimensional economic space (like a circle or horizontal line) and proposes the

introduction of a two-dimensional economy in the basic model. Further on, a simulation model using the real geographical shape of Europe is employed, based on a geographic information system implementation. The three-variant model results are discussed, presenting possible future evolutions of European cities map and their hierarchy.

Chapter 4 is devoted to firm migration, the authors Piet Pellenberg, Leo van Wissen and Jouke van Dijk analysing this issue as a particular form of locational adjustment. First an overview of the theoretical approaches to firm migration is provided so as to highlight the causal factors of this phenomenon, from the locational (neoclassical approach) to behavioural and institutional ones. The authors also concentrate on the history of firm relocation studies that makes it possible to distinguish relevant patterns of firm migration in West European countries. Finally an ordered logit model is employed, in order to analyse the firms preference for migration, pointing out the importance of data availability and survey techniques.

Part II "Cities and Industrial Clusters" concentrates on the characteristics of industrial clustering and the growth and development of urban areas.

In Chapter 5 Gilles Duranton and Diego Puga present the key issues regarding diversity and specialization in cities, as resulted from the empirical literature on cities and the composition of their activities as well as the theories concerned with these issues, studying how they can contribute to the understanding of the empirical regularities. The main questions of this chapter have in view the reasons of specialization/diversification in cities, the advantages and disadvantages of urban specialization and diversity, the extent to which the structure of cities change over

time, the influence of sectoral composition of cities on their evolution.

In Chapter 6 Ian Gordon directs reader's attention to an increasingly important real-world phenomenon, namely the 'global cities', representing a combination between the progressive internationalization (or globalization) of relationships and the reevaluation of the advantages of urban agglomeration. Putting the emphasis on issues like central places in an internationalizing economy, trade in urban services, networks and specialization in an internationalized urban system, structure, growth and volatility in world cities economies, the paper demonstrates how the economic base of these cities, of leading roles in the international urban hierarchy has been transformed over time and the gains in the competition for such positions.

Chapter 7, written by Michael Steiner, addresses the clusters and networks from institutional and strategic perspective, considering as starting point the idea that clusters and networks are nowadays keywords with strong policy implications for industrial location debate. The author discusses why clusters are so attractive to (almost) everybody, analyzing the assumptions and presumed benefits of industrial clusters and the institutional settings based on an evolutionary approach. A special place in the paper is offered to institution building in new market economies; the central question is if clusters can or should be used as a possible development strategy for countries and regions about to enter the European Union, the main conclusion pointing to the fact that regional policy for new market economies and transition countries requires "starting a learning process for the establishment of local clusters and networks" (p. 220) and a certain institutional framework.

Part II comes to an end with theories, methods and cross-metropolitan comparison of business clustering (Chapter 8), developed by Edward Feser and Stuart Sweeney. They offer a large review of literature concerned with business clusters, arguing that further advances on the theory of business clusters as well as related theories of externalities and agglomeration economies require more empirical research, exploiting new data sources and unique methodologies. A relevant case study is also presented, aiming to characterize the intra-regional clustering of selected manufacturing value chains across several US metropolitan areas, based on a micro-level dataset.

Part III "Multinational Firms and Location Behaviour" represents an insight into the factors that influence this behaviour, seeking to explain the types of organizational, information and decision-making issues relating to the location decision of multiplant and multinational firms.

In Chapter 9 Ram Mudambi focuses on the location decisions of the multinational enterprise (MNE), proving a 'state of the art' with respect to this process. The main conclusion of his research is that the interaction of the multinational firm and host government is a strategic game whose nature has changed over the last two decades and this has altered the strategies implemented by the two players. The author reveals that "the game has evolved into a more complex principal-agent game with the government principal able to offer the MNE agent incentives in terms of short-term and long-term availability of valuable resources, but constrained by the MNE agent's outside options in other locations" (p. 280-281).

Chapter 10 explores the technological relationships between indigenous firms and foreign-owned multinational corporations (MNC) in the European regions. The authors, John Cantwell and Simona Iammarino concentrate on the correlation between MNC technological profile and regional technological specialization, the features of the nature of interactions between local and corporate knowledge and examine whether a hierarchy of regional centres of technological excellence can be established within and across national boundaries. A comparative analysis of the locational patterns of MNC innovative activities in the regions of four EU countries UK, Germany, Italy and France is also performed.

In Chapter 11 Tomokazu Arita and Philip McCann examine the relationship between the spatial and hierarchical organization of multiplant firm based on observations from the global semiconductor industry. They demonstrate that “corporate organizational issues play a major role in determining the spatial behaviour of such firms, both according to parent nationality and to the host country location of plants”. A diagrammatic approach is used in order to provide comparisons between Japanese and US semiconductor firms in terms of their spatial and organizational behaviour.

As resulted from this brief presentation, all chapters in each of the three parts and all the three parts are extremely well integrated in the main topic, proving unity and diversity at the same time.

A wide range of analytical techniques is employed some of them being the authors' contribution to enriching the investigation methodology of industrial location, that has made it possible to address the same issues from exciting, original perspectives. The excellent combination

between theoretical knowledge and empirical testing, between traditional and modern approaches to industrial location economics as well as the clarity of the ideas expressed recommend this worthwhile book to both academics and students in geography, economics, management as well as to experts in institutions involved in regional and urban planning.

In particular, for the Romanian reader the book provides many lessons to learn from the research devoted to the realworld of the developed countries and valuable ideas regarding the establishment of clusters and networks in the new market economies.