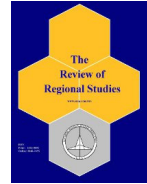




## The Review of Regional Studies

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### BOOK REVIEWS

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#### *Book Review Editors:*

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**Torre, Andre and Frederic Wallet, eds. 2014. *Regional Development and Proximity Relations*. Edward Elgar: Cheltenham, UK and Northampton, MA, USA. ISBN: 9781781002889, 375 pp., \$150 (hardcover).**

Reviewed by *Robert T. Carey*, Clemson University

As pointed out by Krugman (1998), the spatial aspect of economics is a field that went largely unaddressed for much of the history of the discipline; Krugman went so far as to use the word “neglect” in reference to the treatment, or lack thereof, of location and its role as a factor in economic theory. While the concept has since found its way into regional economics textbooks, even prominently so, the discussion of the economics of place tends to be in broad, sweeping terms that are difficult to quantify or to apply. That is what this book contributes to the discussion: a more substantive and in-depth discussion of economic geography and its role in regional development. The contributors’ work is divided into four sections; each section deals with a specific aspect of the role of place: the first three deal with more broadly-applied concepts; the fourth is an applied treatment of place-based development strategy in the European Union.

This book would serve well as a reader for graduate courses in regional development, the selections in the first three sections being particularly useful for that purpose. The first two sections each begin with a chapter providing an overview of the history of thought in the field; the second and third chapters address current theory and issues relating to the field, including some empirical analysis. The third section begins with quantitative chapters and ends with an interdisciplinary theoretical discussion. This provides both theoretical grounding and well-rounded exposure to application of the theory. The fourth section is also instructive but somewhat more narrowly focused.

Section one deals with the broader concept of proximity and regional development. *Robert J. Stimson* contributes the first chapter in this section in which he provides a thoughtful and detailed overview of the history of thought on proximity in economic literature. Specifically, he deals with the concepts of proximity, learning regions, and agglomeration and industry clusters. This chapter could stand alone as an introduction to these concepts; it is sufficiently detailed for graduate students yet sufficiently accessible for an undergraduate regional economics class. The next

chapter, authored by *Andre Torre*, one of the book's editors, expands on these concepts by delving into some of the mechanisms by which proximity impacts production and planning by firms. In the third chapter, *Phil Cooke* examines the role of proximity and "path interdependence" (p.135, emphasis in original) in the evolution of regional economies.

The second section addresses the role of proximity, specifically agglomeration effects, in innovation by firms within regions. *Roberta Capello* begins the section with an overview of the types of proximity—geographic, relational, institutional, and cognitive—and the history of thought on how the externalities generated by these types of proximity influence innovation. *Rune Dahl Fitjar* and *Andres Rodriguez-Pose* follow with a quantitative case study demonstrating the interaction between local agglomeration dynamics and global synergies to foment innovation in Norway's five largest city-regions. In the final chapter of the section, *Olivier Bouba-Olga*, *Michel Grossetti*, and *Marie Ferru* use survey data to examine the role of the types of proximity in the "first meeting" between interacting firms.

In the third section of the book, contributors examine the structure of economic networks in light of proximity. *Ron Boschma*, *Pierre-Alexandre Balland*, and *Mathijs de Vaan* contribute the first chapter providing an examination of the role of proximity in the structure of relationships between actors using a stochastic model of the video game industry. Next, *Emmanouil Tranos* and *Peter Nijkamp* model the spatial distribution of Internet nodes. This chapter has some application to gravity theory, but while interesting, its connection to the other offerings in this section seems somewhat tangential. In the final chapter of the section, *Rachael Gibson* and *Harald Bathelt* analyze the influence that short-term interfirm interaction, specifically that occurring at international trade fairs, has on the diffusion of ideas among the political economy at the multinational level. This analysis uses an interdisciplinary approach, incorporating the "garbage-can" model, which describes organizational decision making in terms of matching problems as they come into focus with available alternatives (Cohen, March, & Olsen, 1972; cf. Kingdon, 1995). This injection of organizational theory is beneficial in that it expands the discussion beyond the traditional scope of regional development theory.

The final section consists of two analyses of place-based development strategies proposed for the EU; "place-based" refers to strategies that are tailored to attributes of specific places as opposed to "place-neutral" that focus more on developing the larger urban areas in order to impact the largest number of people. While these studies focus on the EU, the concepts provided are widely applicable to the development of regions in the broader context. The first chapter is a prescriptive analysis by *Roberto Camagni* detailing the challenges facing the next wave of regional policy in the EU and offering an argument in favor of adopting place-based strategies. The second offering, by *Teodora Dogaru*, *Frank van Oort*, and *Mark Thissen*, provides a quantitative analysis of productivity and employment growth in EU regions of varying size demonstrating that factors for growth impact differently-sized regions in a different way. This is put forward as support for the importance of development strategies tailored to the attributes of place as opposed to place-neutral strategies alone.

In total, this book is a much-needed treatment of the role of place in regional economics. It covers both accessible theoretical overview and quantitative application. As noted earlier, it would prove useful as a reader for a graduate (or advanced undergraduate) course in regional economics or regional development, and several chapters would be useful even for an introductory course. The layout of each section follows a logical path and each contribution (although as noted previously one chapter's relevance was somewhat unclear) brings value added to the discussion.

This is of course not a comprehensive treatment of spatial factors in economic development, but it is hardly necessary for it to be such. The treatment it gives is necessary for the field, given the overall dearth of material currently available. One may hope that other theoretical and applied literature will follow, providing much needed depth to a field that has in many ways been more wide than deep. For now, the added depth provided by this book is welcome.

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**Barry P. Bosworth and Masahiro Kawai, eds. 2015. *Transpacific Rebalancing: Implications for Trade and Economic Growth*. Brookings Institution Press and Asian Development Bank Institute: Tokyo, Japan. ISBN: 9780815722601, 269 pp., \$40 (paperback).**

Reviewed by *Tuan V. Le*, West Virginia Wesleyan College

Transpacific economies have been engines for global economic growth since the 1960s, with the Japanese miracle, followed by the "Asian Tigers," and the more recent contributions of China. Along with great economic performance, these countries have encountered considerable criticism for carrying enormous current account imbalances relative to high-income countries such as the U.S. and some western European countries. There has been much debate about the extent to which these prolonged imbalances contributed to the global financial crisis of 2007–2009. Although there is no final agreement among scholars on the issue, many believe that a large global payment imbalance is unsustainable. In the context of the newly signed Trans-Pacific Partnership (TPP), this issue becomes more relevant and worthy of attention for future global trade and development. This book investigates the sources of the imbalances and highlights ways that could help to rebalance trade across transpacific nations after the global financial crisis.

The contributors examine different countries across the Pacific with focuses on trade between the U.S. and Japan and between the U.S. and China. They lay out several theoretical models to explain the persistence of current account deficit in the U.S. with respect to surplus in major Asian economies and significant factors are categorized as either foreign or domestic. It is crucial to look at both sides to explain the U.S. trade deficit. Regarding the foreign side, much of the focus is on the role of exchange rates as evidenced by the work of *Barry Eichengreen* and *Gisela Rua* in Chapter 2. In Chapter 3, *Willem Thorbecke* and *Ginalyn Komoto* present an interesting asymmetric feature of the income elasticity of imports and exports in the U.S. They contend that although exchange rate adjustment is necessary, it is not sufficient. It is important to address the imbalance between national savings and investment within the U.S. economy. *Barry Bosworth* and *Susan Collins* provide a more in-depth discussion of this issue in Chapter 4. Shifting to China, *Yiping Huang* and *Kunyu Tao* offer a new way to explain China's trade surplus in Chapter 6. They argue that highly regulated factor markets create advantages for Chinese firms by maintaining artificially low costs for factors of production. In Chapter 7 *Hwee Kwan Chow* examines trade imbalances among the "Asian Tiger" economies, while *Iwan J. Azis* and *Mario B. Lamberte* consider the ASEAN region in Chapter 8 and *Rajiv Kumar* and *Pankaj Vashisht* focus

on India in Chapter 9. Despite the modest sizes of trade deficits between the U.S. and these nations, there is still a need for structural changes for those economies to sustainably develop in the future.

This book adds some interesting perspectives to the controversial debate about historical trade deficits between the U.S. and Japan and more recent trade deficits between the U.S. and China. The authors offer alternative ways to explain the phenomenon. One of them is that the exchange rate is not an exogenous variable but rather should be treated as endogenous. Thus, instead of focusing on undervalued currencies in Asian countries, policy makers in the U.S. need to solve the puzzle of low national savings. In my opinion, this is one of the most important and insightful contributions of the book. However, it still remains unclear what policies are needed to achieve this. In addition, exchange rates can only be assumed to be endogenous in a floating exchange rate regime. It turns out to be a strong assumption for China and some other ASEAN countries. Another interesting point from the book is that the U.S. and China produce quite different types of products. I agree with the authors that an appreciation of the Chinese currency will not eliminate the U.S. trade deficit, however low-income countries will benefit from a stronger yuan. Therefore, a cooperative effort from a handful of countries is needed to address the problem. However, I doubt that is practically feasible and share the same concern as *Barry Bosworth* and *Susan Collins* (Chapter 4) about the lack of tools for U.S. policy makers to accomplish the rebalancing mission.

One common suggestion from other authors about other countries in Asia, including Japan, the Republic of Korea, Singapore, Hong Kong, Taipei, ASEAN nations, and India, is to change the structure of their economies and rely more on domestic demand. I disagree with this point since exports have been the main source of growth for these countries. They are literally unable to rely on the domestic markets due to their relatively small sizes, with the exception of China. In addition, I do not see a tight connection between Chapter 9 and the rest of the book. India does not have much effect on the U.S. current account imbalances, and it is located outside the Pacific area. I think Chapter 9 could be removed without a noticeable impact on the overall contributions of the book. Overall, I find the book interesting to read and appropriate for researchers and general audiences with some background in economics. It makes some interesting contributions to the field with standard methodologies and valuable sets of data and brings to light several questions that remain for future projects.

**Andrew Zimbalist. 2015. *Circus Maximus: The Economic Gamble Behind Hosting the Olympics and the World Cup*. Brookings Institution Press: Washington, D.C. ISBN: 9780815726517, 174 pp., \$25 (hardcover).**

Reviewed by *Michael L. Lahr*, Rutgers, The State University of New Jersey

In 2014, I started to teach low-credit freshman classes called Byrne Seminars here at Rutgers. They convene once a week for an hour and a half for something like ten weeks. The idea behind the seminars is to get students interested in standard subject matter in new ways, particularly through the research of our university's professors. With Eduardo Haddad of the University of São Paulo promising to visit that year when the Fédération Internationale de Football Association (FIFA) World Cup was to be held in Brazil, I selected the course title "Let the Games Begin: The Socio-Economic Effects of Mega-Events in Sports." Eduardo and I collaborated in preparing and leading the seminars.

I introduce my review in this manner because we were explicitly told not to expect the students to do much work. A problem immediately cropped up as a result, because there was little material available outside of newspaper clippings (can we still call them that?) and a few YouTube videos that we could expect class participants to consume in preparation of the seminars. Most of the documents on the topic were study reports and academic articles for ardent scholars. If only we had Zimbalist's *Circus Maximus* at our disposal at the get-go.

The book basically starts out asking, "Who would ever possibly want to host the Olympic games?" By 1984, no country was stepping forward for the privilege. Violence, protests, and ever-burgeoning costs had made the prospect of hosting a dodgy one at best. In the end, only Los Angeles was willing, but even that committee offered only existing facilities and demanded that the International Olympic Committee (IOC) cover any losses suffered by the local committee. Zimbalist tells us that there was a lack of volunteers to host the Olympics then due to financial risk coupled with extremely high and rising television-based revenues that were largely being captured by the United States Olympic Committee, which led the IOC to find new ways to share the spoils. The new arrangement enabled the Olympics to provide help in locales that lacked requisite infrastructure—that is, in places other than Western Europe, North America, Japan, and Korea.

Although it has no explicit political agenda, FIFA has had internal leadership struggles, including corruption scandals. Until 2002, it too had long limited the location of its main events to North America and Europe. So for the sake of equity among its member states, FIFA hit on the idea to rotate hosting across the six continents. An unfortunate outcome of this new policy was that bidding competition by potential host countries hit a nadir in 2007, as only Brazil answered when FIFA showed up at South America's door. Afraid of losing its financial leverage, FIFA altered the policy such that bids would be accepted from all countries but those in continents that hosted the two prior World Cups. Like the IOC, FIFA also developed new ways to share revenues with host countries. The host produces an operating budget, which subject to approval is paid by FIFA. But infrastructure costs, which tend to be *much* larger than the operating budget, remain the responsibility of the host.

With the above as background, Zimbalist uses the book as a soapbox to demonstrate that such costs can be particularly onerous for nations as they tend to lack existing adequate facilities. And, that making economically viable use of much of the infrastructure demanded by the IOC and FIFA can be a major problem. Thus, in both the short- and long-haul, he surmises that hosting a mega-sports event is a current and future burden as opposed to the benefit to host-country economies that the organizational committees purport it to be.

Zimbalist next sets his sights on those in the economics profession who are asked to pen promotional economic impact reports. In this vein, Chapters 3 and 4 are most relevant to regional scientists. One problem in this section is that he calls out input-output (I-O) models in particular, rather than more generally the *people* who undertake *ex ante* modeling in the studies he reviews, for being deficient for the task at hand. He suggests its deficiencies are its fixed coefficients, assumption of constant returns to scale, and high degree of aggregation. The latter argument is patently false: The number of industries represented in I-O models tends to be a positive feature rather than a deficiency, as of all economic models I-O models tend to be the most sectorally disaggregate. (There are 384 nonpublic industries in the U.S. I-O model and not the 144 he reports.)

Zimbalist is right, however, when he notes that multiplier size depends heavily on the openness of an economy. He is also correct when he notes that other national macroeconomic

models report much smaller multiplier effects at a national level. (He also shows a predilection for ex-post analysis, but hindsight is 20:20.) The problem with the applications of I-O models that he reports is at least twofold: the people who apply them clearly should adjust for demand disturbances (the planned infrastructure investments and operating budget) to account for trade and/or they are reporting results for subnational geographies. An official estimate of economic impacts for a region suggests a nation's interest in internal spatial distributional issues. For example, it is clear that Russian policymakers meant for Sochi to benefit from the 2014 Winter Olympics. And it is inevitable that its benefits had to come at the expense of other Russian regions. Such internal political economic machinations may be intentional and important to host countries. (Indeed, Zimbalist points out later that Russia has long been trying to develop Sochi into a winter resort).

Of course, Zimbalist also makes some criticisms of economic studies that are not model-specific. First, he discusses the opportunity costs of mega-sports events. He notes *crowding-out effects*—that visitors to special events tend to dampen the usual set of economic activities in an economy. That is, people who usually use facilities in the hospitality and entertainment industry (e.g., restaurants and hotels) of a city will avoid doing so when a special event is going on in order to avoid the congestion and general hassle. This goes for tourists and locals alike. He also identifies the *substitution effect*. For example, locals might opt to spend on meta-sports-related events rather than resume their normal spending patterns. Or, perhaps worse for the economy, they may opt to leave the country entirely and spend their hard earned cash elsewhere. He also identifies problems of misaccounted *transboundary income flows*; for instance, price rises that benefit the bottom lines of hotel chains rather than the purses of local workers. He also notes that the known fiscal costs of the event (including their opportunity costs) are typically ignored. These are all problems that the experienced analyst does hard work to capture, so as to nullify inexorable criticism.

Unfortunately, however, policymakers in positions with short-term lengths have an incentive to make myopic decisions and often choose their advisors and consultants accordingly. Puffed-up impact numbers now can yield a political win in the near future but cannot be *proven* false until years later. This issue is particularly poignant for the case of meta-sporting events where the bidding process for IOC and FIFA locations start as much as 13-15 years in advance of the competitions. Still, besides bragging rights, there are potential long-run economic benefits to be gained if the host does things right. As Zimbalist points out, Barcelona is a poster child for legacy benefits, particularly from the perspective of urban form. Still, Zimbalist also reports few positive long-run benefits to tourism from mega-sporting events that a government could not otherwise have achieved less expensively. And long-run benefits to exports (the balance of trade) at best need more testing. So even the legacy gains of meta-events are dubious and place-dependent.

*Circus Maximus* concludes that there are more expenses than revenues from hosting mega-sports events. Moreover, it tells us that if legacy benefits derive, they are nonpecuniary in nature or derive prior to the construction effort (recent issues in Brazil point to related construction efforts as a fulcrum of their current political problems, however). In essence the main outcome of such events is that it “tends to reinforce the existing power structure and patterns of inequality” (p. 122).

Zimbalist ends *Circus Maximus* with a set of policy prescriptions. He admits that it will be tough to get FIFA or the IOC to yield their monopoly power. So he suggests that these organizations moderate their demands and more readily accept the use of existing infrastructure, encourage re-hosting, and focus more on bids that show some economic sense for hosting cities. He suggests some internal organizational political reforms.

All in all, it is a solid book that reflects the state of the literature. In fact, its focus as a review of the literature is its main weakness. That is, it offers little that is new and gets overly bogged down in academic critiques of consulting studies. Then again, it is well-organized and well-written. While it is not one of those books on my shelf that will get dog-eared (and I have several of those), I will definitely use it as a text for my freshman seminar.

**Ravi K. Perry. 2013. *Black Mayors, White Majorities: The Balancing Act of Racial Politics*. Lincoln, NE, USA and London, UK. ISBN: 9780803245365, 364 pp., \$40 (paperback).**

Reviewed by *Robert Dunn*, Washington & Jefferson College

This book focuses on the situation of black mayors being elected to office in cities where the majority of the population is not black. Specifically, the author focuses on two medium-sized cities in Ohio, Toledo and Dayton, and the mayoral terms of Jack Ford and Rhine McLin respectively. Ford served one term as mayor of Toledo beginning in 2002, and McLin served two terms as mayor of Dayton from 2002 to 2010.

Chapter 1 provides a detailed description of the hollow prize hypothesis, which posits that black mayors may encounter a situation where black constituents have very high expectations for changes that will almost immediately improve their quality of life following the election of a black mayor. At the same time, these cities may be experiencing some level of economic decline if the population is growing slowly or declining and businesses are relocating outside the city limits. This situation of reduced city-government resources could make it nearly impossible to meet expectations of change coming from the black community. The author argues that the hollow prize hypothesis may not hold, as numerous examples of meaningful change led by black mayors are provided. The idea of a targeted universalistic approach to governing is also introduced. This approach differs from focusing exclusively on race or being purposefully race-neutral when creating public policy in that the targeted universalistic approach explicitly considers black interests but frames issues in the context of the common humanity of city residents. In other words, dealing with issues that impact the black community is to the benefit of all inhabitants.

Chapter 2 details the choice of Toledo and Dayton for study and argues that the situation of black mayors being elected in cities where blacks are not the majority is likely to become more common as many cities have experienced a decline in the share of the population that is black. Since 2000, there have been 28 black mayors elected in medium-sized cities (those with a population between 100,000 and 500,000) with 13 of these cities having populations where the majority is non-black. The author identifies three characteristics that differentiate the current study from work done on the first wave of black mayors in the 1960s and 1970s, specifically: 1) the focus on medium-sized cities, 2) the unique economic challenges facing cities and mayors in the early 2000s, and 3) the changing expectations of black mayors elected more recently compared with those elected during the initial breakthrough. Additionally, some demographic statistics for Toledo and Dayton are presented. Two noteworthy points that may deserve additional attention are the low levels of educational attainment and median income compared to national averages.

Chapters 3 and 4 provide detailed background on the demographics, political history, and economic transitions of both cities. There is also ample description of the careers of Jack Ford and Rhine McLin along with an analysis of how local newspapers covered the mayoral campaigns of each candidate. An interesting commonality is that both Ford and McLin decided to run for the office of mayor after term limits prevented them from serving further in the Ohio legislature.

Chapter 5 delves into some policy specifics of Jack Ford's one-term tenure in Toledo. A major focus of Mayor Ford's administration was to ensure that black and minority contractors were awarded a larger share of state and local government building and construction contracts. The two main initiatives related to this were the creation of a Center for Capacity Building in partnership with the University of Toledo and prominent building associations and the marriage of the Department of Affirmative Action and Contract Compliance with the Department of Purchasing within the city government structure. The Center for Capacity Building was aimed at developing skills among minority contractors that would allow them to successfully bid on sizeable state and local government contracts. The aim of the department mergers was to ensure that minorities were being fairly represented in city purchasing decisions.

The work of Rhine McLin detailed in Chapter 6 is quite a bit different due to the government structure of Dayton that provide the mayor with very little real power. The city is governed by a commission, administrative duties are handled by a city manager, and the role of the mayor is therefore often ceremonial. This forced Mayor McLin to rely on informal methods of influence since executive actions lacked any real power. Her main focuses with regard to the black community were supporting increased availability of higher-quality, affordable housing and redevelopment of struggling neighborhoods.

To gain insight into public perception of the impacts of Mayor Ford in Toledo and Mayor McLin in Dayton on the quality of life of black residents, the author conducted a total of 83 interviews (53 in Toledo and 30 in Dayton) and examined meeting minutes and agendas from each city. These processes are outlined in Chapter 7. For the interviews, responses on the impact of policies on black quality of life were placed into five categories and the interviewees themselves were categorized as "general influential," "public officials," "mayors," or "community activists." Following the analysis, the author identifies four main factors that derailed Ford's and McLin's abilities to affect black quality of life: 1) personality and style, 2) connection to the business community, 3) local government structure, and 4) ideological similarity to council or commission members.

Chapter 8 examines the political rhetoric of Mayors Ford and McLin and considers their ability to deal with racial issues and universalize the interests of blacks. After providing an overview of the use of political rhetoric by black mayors in other cities, the author uses a speech-coding technique to develop some grounded theory on how Ford and McLin used major political speeches to engage a targeted universalistic approach to governing. The analysis reveals that both relied less on race alone and more on the universalistic approach to motivate policy implementation in the later years of their tenure.

Chapter 9 concludes by reminding the reader that Jack Ford and Rhine McLin were both able to gain significant support from white residents to enact policies that could improve the quality of life for black residents in their cities. They often accomplished this by implementing the targeted universalistic approach to governing that doesn't ignore race but rather embraces the fact that furthering black interests can benefit all residents. This is an approach that can and should be applied elsewhere in the future.

The strength of this book is the detail it provides about the political and racial climate in these two Ohio cities. This type of focused work can add substantially to areas of research that often are not willing or able to consider the complexity of a particular issue or event. In applying this technique the researcher is talks with individuals who were directly affected by the policies of



government officials, examines speeches and meeting minutes, and most importantly contextualizes key findings that emerge from the analysis. This analysis is particularly critical to minorities (nationwide) who may wish to seek elected office, particularly those in cities in which their prime constituency remains in the minority.

An area that could have benefited from further discussion was the role of state legislature term limits in Ohio, as this was a key reason that both Ford and McLin ran for the office of mayor in the first place. And while the importance of party affiliation is considered briefly in Chapter 9, it may be of somewhat greater importance than was acknowledged within the book. The same goes for the understated importance of the political like-mindedness of mayors and majority of members on the city councils or commissions. Of course, stronger evidence that the interviews analyzed in Chapter 7 are representative of the populations in Toledo and Dayton would add to the robustness of the conclusions, as would more of those interviews.

In conclusion, the book is well-organized, and the importance and usefulness of the targeted universalistic approach in addressing issues that impact the black community is well supported. It is accessible to readers without previous knowledge of this particular area of study, and it provides the necessary background throughout. The book very effectively accomplishes what it sets out to do; that is, it uses Toledo and Dayton as case studies to show how the targeted universalistic approach can be implemented and also to demonstrate how it could become more effective and widely used going forward.