BOOK REVIEWS

Book Review Editor: Clifford A. Lipscomb, Greenfield Advisors LLC, Atlanta, GA

Hall, Peter and Pain, Kathy (Eds.) 2009. *The Polycentric Metropolis: Learning from Mega-city Regions in Europe*. Earthscan: London, ISBN: 978-1-84407-747-2. 248 pp. $120

Reviewed by *Sidney C. Turner*, George Mason University

This book reports findings of the POLYNET study on the growth and development of European polycentric mega-city regions. The study was funded by the European Commission as part of the Interreg IIIB project. The POLYNET study defines a mega-city region (MCR) as a group of cities which are physically separated with distinct urban cores, but which possess strong connections with other members of the group and which are usually centered on a large central city. The MCRs identified and analyzed in the study include South East England, The Netherlands, Central Belgium, Rhine Ruhr, Rhine-Main, Northern Switzerland, the Paris region, and Greater Dublin. Each MCR was assigned a separate team for the purpose of data collection.

The hypothesis at the core of this study is that urban activities are becoming increasingly decentralized, with industry and population diffusing from a core city to smaller urban centers. These smaller centers in turn are experiencing increased interaction with each other in addition to the central city. The authors assert that this process is a natural outcome of the advent of communication technology that allows coordination and competition between agents to occur at increasing distances as well as high speed transportation infrastructure that biases the consequent diffusion towards specific locations. The result is that the area of economic interaction that used to be defined by a large, globally connected monocentric city is now better encapsulated in the polycentric region.

The second part of the book details the methodology used to define the MCRs and analyzes the degree to which they are polycentric. The MCRs were initially determined by grouping what the authors call functional urban regions (or FURs, which are defined similarly to U.S. Metropolitan Statistical Areas) based upon spatial contiguity. Using year 2000 census data, the degree to which a MCRs are polycentric was measured using rank-size indices based on FUR population, the degree to which residents' employment is contained within the same FUR, and the degree to which aggregate commuting within the MCR was concentrated towards one or more FURs. Commuting was found to be only weakly polycentric. This analysis was taken one step further by the creation of a proxy for information exchange between cities based upon the distribution of high level managers and partners between offices of multi-city business service firms. Globally based intra-firm network connections are heavily concentrated within the central cities of the MCR, while intra-regional connections are mostly single- or dual-noded for most of the MCRs. An attempt was also made to measure information and human flows between cities directly through the use of online surveys of firms' business travel and teleconferencing behavior, but the results were of limited use due to small sample size.

The third part of the book reports the results of face-to-face interviews of senior members of business service firms who elaborated on the actual strength of interactions between different offices within the same firm. Generally, intra-firm communication is low between offices located outside the central city and high among offices within a central city and between its central-city

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and regional offices. One notable exception is Southeast England, where there are substantial interactions among offices across peripheral cities. Firms with a national or global scope are especially likely to concentrate in the larger cities within their MCR. According to the authors, the interviews reveal that this is due to the continued relevance of face to face contact in terms of information exchange and knowledge generations as well as accessibility to skilled labor, which is heavily concentrated within the MCR's largest city. These results are consistent with quantitative evidence and indicate that European MCRs are still heavily monocentric in terms of the flow of workers and information, though such results are sensitive to the nature of the primate city's national environment. This suggests that the political structure of the country which houses an MCR's primate city may be important to its level of polycentricism, though the authors do not do much to flesh this point out.

According to the authors, the weak interactions among urban centers within some of the MCRs indicate that regions defined by contiguity do not necessarily equate with functional regions (i.e. regions defined by the flow of people and information). In the book's conclusion, the authors assert that European planning agencies and policy makers are often too focused on the well-being of territorial units and are thus poorly suited to deal with the infrastructure and environment challenges that arise from connections that do not necessarily map to jurisdictional boundaries. In addition, the emphasis on spatial equity in European urban policy may prevent the realization of the economic and social benefits that results from the agglomeration of advanced services activity within a region's largest cities.

This book has both substantive and organizational weaknesses. While the quantitative analysis is rigorous and adequate as a means of describing the interaction within Europe's urban clusters as they exist in recent years, it is also limited in its utility by the apparent reliance on data from a single period. This is important because it results in the authors relying too heavily on interview evidence and secondary sources to infer trends and causes of interurban interaction. In addition, a large portion of the book is taken up by papers dedicated to individual MCRs. These chapters were authored by the respective MCR teams and describe the economic and institutional context in which the multi-core region is placed. Most of these chapters include a section outlining policy recommendations for those responsible for planning within the region. Still, it is unclear whether the authors took into account the information gathered by the other POLYNET teams when making these recommendations. There is also a large amount of substantive repetition between these chapters and the rest of the book.

Even with these weaknesses, the authors' use of a relatively wide range of available data and methods as well as the clarity with which the analysis is presented makes this book a valuable reference for academics and planners interested in the causes and consequences of the interaction among cities. Still, the study is replete with data-imposed limitations. Nonetheless, the results undoubtedly provide guidance for future research on the topic.

Inman, Robert P., ed. 2009. *Making Cities Work: Prospects and Policies for Urban America.* Princeton, NJ: Princeton University Press. ISBN 9-780-691-13104-7. 382 pp. $29.95 (paper) or $75 (cloth)

Reviewed by *Todd Gabe*, University of Maine

Building and sustaining vibrant cities is an important challenge facing U.S. policymakers and those around the world. Statistics from the U.S. Bureau of Economic Analysis show that about 90 percent of U.S. Gross Domestic Product is generated in metropolitan areas. In addition, urban areas are home to about 80 percent of the U.S. population. Increasing globalization and the ongoing transition from a manufacturing economy to one that is based heavily on services and innovation will likely make cities more important than ever as we move deeper into this century.

The 2009 book *Making Cities Work*, edited by Robert P. Inman, advances ideas and policy-oriented solutions that deal with some of the most crucial challenges facing U.S. cities today. With chapters contributed by some of the top scholars working in urban economics, policy, and planning, the book covers issues ranging from urban transportation and finance to poverty and crime. Many of the chapters offer a historical perspective of an issue (e.g., Witold Rybczynski provides an account of the evolution of U.S. urban design, and Jacob L. Vigdor examines trends in racial segregation), which gives us a good idea about the progress we have made and how we arrived at where we are today. Along with a discussion of the past, most of the chapters provide ample evidence to describe the present situation and support recommendations for the future. For example, Philip J. Cook examines recent trends in (and the determinants of) crime rates and offers a set of specific recommendations for city officials to consider.

Following an overview and introduction by Robert Inman, the second chapter of the book by Edward L. Glaeser provides a detailed account of the growth of U.S. cities. This chapter attempts to answer the question "Why do some cities grow and prosper while others remain stagnant or decline?" The answers provided to this question are that, whereas the keys to vital cities used to be "location, location, location," the most successful cities of today are characterized by a highly skilled workforce and desirable amenities. This chapter provides non-technical guidance to regional policymakers about how to "make cities work."

The chapters by Kenneth A. Small and Joseph Gyourko use principles of economics (e.g., privatization, markets and efficiency, affordability) to demonstrate how the fates of cities are closely linked to the availability of transportation networks and housing. In the area of transportation, Small recommends "innovations in highway pricing" and greater "private participation," among other suggestions. In the area of housing, Gyourko explains how the "long-lived nature" of the housing stock lengthens the decline of some urban areas (e.g., Detroit). He also looks at the effects of local land use regulations on residential development. Toward the end of the chapter, Gyourko presents evidence suggesting that land-use regulations are too strict, even after accounting for negative externalities, in parts of California and the northeast (e.g., New York and Boston). As with the rest of the book, these chapters provide good advice as well as some tangible recommendations to policymakers.

David Card and Richard J. Murnane examine aspects of immigration and education, two key factors that influence the amount of skilled workers present in urban areas. Card (p. 177) concludes that "the presence of immigrants exerts a powerful and systematic effect on the relative supplies of different skill groups in different cities," but the impacts of immigrants on wages are "modest." Murnane lays out a challenge for urban K-12 schools to prepare students, many of whom are first-generation immigrants, for a post-secondary education that has become a prerequisite for many of the "professional" jobs available in the U.S. economy. He covers the spectrum from standards-based reforms to improving incentives for teachers, administrators, and students.

Next, the chapters by Janet Currie and Philip J. Cook cover poverty and crime, which are two of the more pressing social issues facing U.S. urban areas. Currie documents changes in a wide range of assistance programs (e.g., AFDC, Medicaid, WIC Program, housing programs) and emphasizes those geared to helping children. Cook provides an analysis of urban crime rates and examines the public and private costs of crime prevention and security. The chapter addresses the causes of the recent and well-documented reductions in many types of crimes. The book concludes with a chapter, written by Robert P. Inman, on urban government finances. It is an appropriate way to end the book, given that many of the previous chapters included recommendations that involved the provision of publicly funded services.

Overall, I learned a lot from reading the book. It provides a solid overview of many of the most important issues currently facing U.S. cities. Hence, I recommend the book to urban policymakers and analysts, as well as to scholars who want a non-technical introduction to one of its topics. Students will benefit from reading the book because it provides an excellent example of the sometimes overlooked union between economics and policy. In addition, the chapters include a thorough set of references that could be used to “jump start” a research project. I suspect that I will use the book frequently in the years to come.

Becattini, Giacomo, Marco Bellandi, and Lisa De Propis, eds. 2009. *A Handbook of Industrial Districts*. Cheltenham, UK: Edward Elgar. ISBN: 978-1-84720-267-3. 863 pp. $190

Reviewed by *Joshua Hall*, Beloit College

One of the bad things about writing a review of a handbook is that it is really impossible to do justice to 800-some pages in a few words. Thus almost by definition any review of a handbook, beyond giving a quick summary of the volume, is idiosyncratic. This review will not be an exception.

This reference contains exactly what one would expect from such a volume. Its editors are distinguished and well-known in the field. Among its contributors are well-known names such as Richard Langlois, Brian Loasby, and Michael Porter. The volume has 53 chapters and 11 sections divided into four parts covering every important topic related to the study of industrial districts (IDs), from the history of the idea to empirical investigations of IDs in dozens of countries. Finally, it has a well-written introductory chapter that synthesizes the thinking that went into the construction of the book and places its chapters into the proper context. Anyone interested in the study of industrial districts will find something of value in this book.

My favorite portion of the book is Part I on the “Origin and the Theories of Industrial Districts.” First, this section had the greatest number of chapters that would be useful for future reference or class handouts. In particular, the essay by Brian Loasby on “Industrial Districts in Marshall’s Economics,” is as nice of a short introduction to the economic though of Alfred Marshall on IDs as you will be able to find. The same is true of Chapter 8, “External and Internal Economies”, by Neil Hart. Second, it was this part of the book that I found to be the most stimulating in terms of generating new ideas. For example, in their interesting chapter on the emergence of industrial districts in England from 1750-1914, Andrew Popp and John Wilson note that the context of England’s development during the 18th and 19th centuries was very *laissez-faire*. This brings to mind the work of economic historian John Nye in his book *War, Wine and Taxes: The Political Economy of Anglo-French Trade, 1689-1900*, who shows the importance of reduced internal trade barriers on England's development relative to France during this period. An interesting study could be done that looks at the effect of trade barriers on the development of IDs given the large differences in internal trade barriers between France and England during this time. As Adam Smith pointed out, the division of labor is limited by the extent of the market, so trade barriers would seem to be a hindrance to the development of an ID.

Not only would such as study be useful in the current debate about the effects of globalization on IDs, it raises a larger issue related to the study of industrial districts for the purpose of informing public policy. A large number of studies of industrial districts are too narrow to be able to draw any inference about the effect of public policies on the development of IDs. This is not a criticism of Popp and Wilson, but rather an encouragement of those who study industrial districts to do more cross-sectional comparisons where there exist considerable policy differences across units of observation. Otherwise it is just maximum inference from one data point.

Elisabetta Merlo has another really interesting essay in Part I of the book on the historical role of apprenticeship and technical schools in the formation of industrial districts in Italy. What is so interesting about this paper is how it mirrors the work on higher education and regional clusters today. This highlights the fact that while there are differences between industrial districts and clusters, there is also considerable overlap; and a fertile area of research might be to take techniques and approaches from work on clusters and adapt it to the study of industrial districts.

I should note that the idea of considerable overlap between clusters and IDs is addressed in the volume, most notably in Chapter 14 "Clusters and Industrial Districts: Common Roots, Different Perspectives," by Michael Porter and Christian Ketels. My point is more related to research methodology and approach, not to the theoretical similarities.

This raises a minor concern related to the volume. Beyond the Merlo chapter only one other essay (Chapter 40, "The University Research-Centric District in the United States" by Donald Patton and Martin Kenney) primarily addresses the relationship between education and IDs. While several other essays touch on knowledge creation or the importance of education, the lack of focused attention seems to me to be a bit inadequate given the self-described "forward-looking" nature of the volume.

That, however, is a minor concern. There is a lot to like about this book both in terms of a reference volume and an overview of ongoing ID research. For example, Part III of the book on "Empirical Investigations on Industrial Districts" not only has interesting in-depth studies on industrialized countries such as Great Britain, Italy, and Spain, but also developing countries such as India and China. Inclusion of developing countries and the effect of globalization on IDs are two of the ways that the editors do a good job in making the book forward-looking while at the same time as being a valuable reference work.

Part II of the volume is on the nature of industrial districts and comprises several chapters on both socio-cultural and institutional aspects of IDs and the role they play in the creation of knowledge, learning, and creativity. Individuals interested in knowledge and technology clusters will find several chapters of interest in this portion of the book. A standout chapter in this section is the clear explanation of how the environmental characteristics of IDs influence innovation by Paul Robertson, David Jacobson, and Richard Langlois in their chapter on "Innovation processes and industrial districts."

In terms of the remainder of the volume's content, it is solid and covers all aspects of IDs. For example, Part IV of the book contains eight chapters organized around the topic "Globalization and Industrial Districts." In addition to several chapters on the effect of globalization on IDs in various countries and U.S. states, readers interested in the role of public policy towards IDs would be well served to look at the final section on "Public Policies and Industrial Development Strategies."

Reference

Nye, John V. C. (2007) *War, Wine and Taxes: The Political Economy of Anglo-French Trade, 1689-1900.* Princeton University Press: Princeton, NJ.

Salvadori, Neri, Pasquale Commendatore, and Massimo Tamberi, eds. 2009. *Geography, Structural Change, and Economic Development: Theory and Empirics*. Edward Elgar Publishing, Limited. ISBN: 978-1-84844-229-0. 324 pp. $160

Reviewed by *Dayton M. Lambert*, University of Tennessee, Knoxville

This book synthesizes recent advances in the theory and empirics of the role of geography in economic development and structural change. The delivery of each topic assumes readers are familiar with the underlying models of the New Economic Geography paradigm, endogenous growth theory, dual economies, and econometrics. This is an advanced treatment of the subject material, and as the coauthors suggest in the Introduction, students new to these topics may find it challenging to grasp the salient contributions of each chapter. Still, the clarity of the writing and the care the chapter authors take with respect to presenting the dense subject matter make the volume accessible to experienced researchers of regional science. Taken as a whole, this book provides a coherent picture of new developments and applications in economic geography with regards to explaining structural change. There is a healthy mix of new theoretical developments and elaborations of the foundational neoclassical economic models, economic growth models, econometric modeling, and hypothesis testing.

The book consists of two parts. The first, "The Impact of Geographical Factors: Aspects of Location and Specialization," consists of six chapters covering a range of topics, including industry location, the role of natural resources in agglomeration economies, and the impact of foreign direct investment (FDI) and governance as they pertain to economic growth and development. The chapter by Pasquale Commendatore, Ingrid Kubin, and Carmelo Petraglia investigates the role public finance has with respect to attracting and retaining "footloose capital investment," where investors do not locate in regions, but allocate the physical capital they own to those regions. They extend a standard core-periphery model to include public service provision, taxes, and their effects on the dynamics of agglomeration economies in terms capital movement and economic integration.

The next chapter by Guiseppina Talamo applies a gravity model to investigate the interplay between corporate governance and openness to trade on FDI. Following an extensive literature review on institutional barriers to entry of foreign firms into domestic markets, she develops a gravity model to explain bilateral flows of FDI between 61 countries—29 suppliers and 32 recipients—during a 20-year period. Results appear to be robust to a variety of specifications. Talamo concludes that corporate governance and openness always increase FDI.

Chapter 3 develops hypotheses to explain the apparent slow growth of sub-Saharan countries in the context of natural resources. Davide Fiaschi's contribution is an interesting treatment of the impact "Dutch Disease" has on the rent-extracting and productive sectors of developing economies in terms of a dynamic, endogenous growth model of Olsson (2007) and Mehlum, Moene, and Torvik (2003). When the productive sector is dominated by resource extraction and cannot provide sufficient wage earnings to the workers, countries risk perpetuating social conflict, spiraling into a poverty trap. High levels of investment capital and stable institutions are critical to escape this cycle.

In Chapter 4, Eleonora Cutrini develops relative and absolute measures to gauge the location patterns of manufacturing investment across Europe between 1985 and 2001. Of practical importance are the statistical procedures developed to test hypotheses based on the indices Cutrini applies. Her decomposition measures are able to separate intra-country growth processes from inter-country divergence during this period of rapid regional integration. Cutrini concludes by noting that while the growth measures illuminate some broad regional trends in the integration of a regional economy over time, more work remains with respect to understanding how policy and institutions influence the observed patterns.

In Chapter 5, Alessia Lo Turco and Massimo Tamberi ask whether exports are an important determinant of growth. Using a series of growth regressions motivated by the work of Lucas (1988) and Grossman and Helpman (1991), among others, the authors regress a series of indicators that proxies specialization on the dependent variable economic growth (measured as per capita GDP). Based on a variety of panel estimators, the authors conclude that countries investing in the production of goods that require relatively higher levels of human capital in their production stimulates economic growth.

The final chapter of Part I examines the role of institutional constraints and regional trade agreements (RTAs) on comparative advantage and industrial growth in Latin America using cointegration analysis. Alessia Lo Turaco regresses employment, MERCOSUR membership, and intermediate input use on industrial output, finding that regional market size increased following RTA membership, supporting Puga and Venable's (1998) conclusions about the role of preferential trade agreements on development. Larger trading partners appear to benefit more from regional integration, with geography potentially favoring the concentration of technology in a few sectors.

Part II, "The Process of Structural Change and the Role of Dualism," offers some new perspectives between agricultural-industrial sector interactions and their role in regional economic growth. The chapter by Carlo Panico and Maria Olivella Rizza (Chapter 7) contrasts the neoclassical search for stable equilibrium with the cumulative causation paradigm in terms of explaining economic growth or decline. In particular, Myrdal's writings (beginning with his seminal 1944 book) serve as the background to motivate their development of the cumulative causation model, arguing the importance of descriptive narrative as an analytical tool that complements mainstay quantitative explanations of economic growth.

Chapter 8 sets the stage for the remainder of Part II by providing a synopsis of how the core ideas of new growth theory parallel the classical dual sector economic model (starting with Lewis, 1954). Economic reasons why dual economies may emerge are provided, including the persistence of gaps in technology and the role of income elasticities. Salvatore Cappasso and Maria Rosario Carillo conclude by linking the underlying features of the dual economy model with recent developments in migration, human capital accumulation, and growth, which demonstrate the reinforcing effects between employment and wages.

Bilancini and D'Alessandro apply a dual sector analysis of "industrial takeoff" (e.g. where domestic demand for manufactured goods drives growth in the industrial sector) and creation of agricultural surplus (Chapter 9). Their model builds on the work of Murphy, Shleifer, and Vishny (1989), but they re-estimate the classical dual sector model such that growth in the industrial sector is triggered by domestic demand for manufactured goods. In addition, they allow for some flexibility regarding property ownership by non-working landlords and firm ownership by entrepreneurs. This assumption de-emphasizes the role of a middle class in stimulating demand for manufactured goods by placing more weight on incomes earned by the lower class through agricultural receipts. Through comparative static analysis, the authors find in poor economies that initial states of income inequality may increase the likelihood of the emergence of a steady state poverty trap.

Contributing to the persistent debate of the causes and consequences of poverty traps, convergence clubs, structural change, and multiple equilibria, Giovanni Valensisi modifies Lewis's classical dual sector model (Chapter 10). In the agricultural sector, labor supply is assumed to be elastic (but not in surplus), and the production technology is decreasing in scale. The production technology of the manufacturing sector is subject to increasing returns. Valensisi further estimates the sector growth model by formulating specific factors following the main assumptions underlying the Ricardo-Viner-Jones macro model, thereby allowing for multiple equilibria. Valensisi concludes that when there are wage mismatches with productivity between the agricultural and industrial sectors, moderate increasing returns in the manufacturing sector may result in poverty traps because of the elastic supply of labor that typifies the agricultural sector.

The book concludes (Chapter 11) with an econometric application investigating the role of technological capability on labor productivity in Italy from 2000 to 2003 across 20 regions. Giulio Guarini's dynamic econometric model suggests two testable hypotheses that he labels the "Smith" and "Ricardo" effects. The first effect tests the role of income growth on labor productivity; the second, the role of labor costs on economic growth. The main contribution is the introduction of knowledge accumulation into Italy's national production function. Specifically, Guarini finds that tacit knowledge (knowledge transmitted by through worker mentorship) and codified knowledge (knowledge transmitted licensing and patents) positively contributed to labor productivity growth during the study period. In sequel, because of the regional nature of the data, the empirical model, results, and discussion could be enhanced by a spatial analysis of interregional knowledge spillovers.

Overall, while the subject matter of the book is rather specialized, the editors have done an admirable job of collating recent empirical and theoretical developments in the economic growth and development literature. The authors of each chapter provide thorough reviews of the theoretical foundations supporting their elaborations. Most chapters include detailed appendices of model derivations, which aid in deciphering some of the more difficult mathematical sections. The book is a useful addition to the library of serious regional scientists and other students already familiar with the core modeling strategies frequently used in this regional economic development research.

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