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Chapter 6

Putting Politics into Economic Geography

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The documentary film, *Inside Job*, tells us dramatically that the financial collapse of 2007-8 was not a force of nature akin to the dreadful earthquake and tsunami that hit Japan in March 2011 but a politically orchestrated disaster waiting to happen at least since the 1970s. Yet, the dominant tendency in economic geography is to see politics and governance as exogenous to the working of a natural economy that follows its own dynamics as firms, workers and consumers do all of the heavy theoretical lifting of directing investment, going to work, and buying products. The events of 2007-8 should have destroyed not just complacency in the performance of the global economy as presently constituted but also in systematically minimizing or ignoring the role of practical politics. By this I mean the mediating role in contemporary world capitalism of interest groups, political ideologies, geopolitical hierarchy, and private and public regulatory bureaucracies, which cannot be adequately understood in terms of the mechanical operations of a black-boxed “state” performing coordinating functions when needed to an otherwise spontaneous economy. If part of the problem is the modern idea that politics and the economy are separate spheres, the latter thought of at best as driving the former, another part is the adoption of a naturalist epistemology and methodology representing the economy as law-like and predictable and politics as causally contingent, ad hoc, and un-law like in its overall effects.

Infamously, economic geography is a field that compared to economics has "a center that does not hold" (Barnes and Sheppard 2010: 199). This is a bad thing if you have an idealized image of nineteenth-century physics as the ultimate model of knowing. Economic geography has acquired neither the singular theoretical focus on price equilibrium models nor the relentless mathematical/statistical legerdemain of mainstream neo-classical economics that still serves as an important source for understanding the meaning of the "economic" in economic geography. So, by any standard, and at best, a certain "fragmented pluralism" prevails. Nevertheless, and across a wide range of its practitioners, politics as a process of negotiating about, providing and allocating public goods, defining political-economic goals, and mediating between different interests has been sidelined for a naturalized conception of economy and functionalist view of the political as simply coping with shocks from the economy that makes its subject matter largely immune to the view that politics is in fact a vital driver of economy. Contributing, perhaps, to furthering this fragmented pluralism, I claim that a fuller focus on politics is very much in the interest of making the field more realistic in accounting for the very economic phenomena that remain its focus of description and analysis.

In this chapter I challenge the ways in which politics typically does or does not figure in the narratives and accounts of economic geography, along two axes. The first addresses how naturalized and functionalist views of politics have tended to characterize all modern varieties of economic discourse to one degree or another. The second identifies three specific areas of contemporary economic geography: globalization, finance, and spatial clusters, showing how politics tends to figure, if at all, in these, how different stories can be told when practical politics is introduced, and how ontologically this then makes it possible to talk about changing them. Politics is the deployment of power for collective purposes. If it is not inherent in how the world works, how can it, other than miraculously, suddenly be brought to bear to change things in the future?

Naturalization and Depoliticization

Cataclysmic events like the 2007-8 financial crisis provide an opportunity to pose basic questions that go unasked during more "normal" times. One of these concerns the exogenous conception of the effects of politics, characteristic of economic discourse of all stripes. Arguably, this crisis was much more of political than of purely economic origin (for example Gamble 2009; Wolf 2009). Not only had many governments, particularly that of the United States, encouraged a financial bubble of gargantuan proportions through overemphasizing investment in housing as a political objective; they had failed to restrain it, once it burst they delayed their responses and they bailed out most of the financial firms that they had previously licensed to behave riskily at public expense. Of course, these institutions had been active in partisan politics, funding the campaigns of both major US parties. They populated the Federal Reserve Bank and the main regulatory body, the Securities and Exchange Commission, with their ideological kin, drawing intellectual sustenance from business schools and prize-winning economists who gave soothing advice about how the business cycle had been conquered by the genius of the new unregulated financial markets.

Yet, this is not how conventional (or, for that matter, much critical) economic discourse has accounted for the crisis. Most economic commentators emphasize a single economic factor that purports to explain the entire fiasco. These include: The perverse incentives for bankers to book risky business using various financial innovations (such as Credit Default Swaps and Mortgage Backed Securities) so as to increase their earnings; global financial imbalances because of savings "gluts" in countries such as China, leading to too much "easy money" in the US; the decline of US manufacturing and its replacement by a parasitic financial sector as the main engine of growth for a gigantic Ponzi investment scheme; and increased income inequality that diminished mass purchasing power, as high-paying factory jobs disappeared, encouraging credit growth and imports. Throughout, the emphasis falls on the "animal spirits" of capitalists, consumers, workers, and others out to maximize their incomes/wealth, with little attention to the relative power of the different groups to manage and legitimize their interests politically.

Typically, the critique of these sorts of explanations focuses on the model of rational action adopted to conceptualize economic actors, whereby masses of individual decisions are viewed as spontaneously creating an emergent "order". There is no visible hand, just a myriad of invisible ones working to produce a given outcome. In my view, such critiques of "the economic" must be extended to critiquing the disembedding of so-called economic processes from the socio-political contexts in which they are necessarily set, as Karl Polanyi (1944) argued at some length many years ago. The annunciation of the economic as special has been possible because the social and the political have become defined as somehow "unnatural" when contrasted to the economic. At one time in economic thought "the economic" was related more to the social and the moral than to the natural (Mirowski 1994: 6). If the naturalization story of the economic as we understand it today begins with the medieval natural law tradition and its positing of a primordial law of nature as preceding human agency, a crucial stage was reached with the Scottish Enlightenment in the eighteenth century and the thinking of Saint Simon, when the political was absorbed into the social. Those today often classified as "classical economists" (for example Smith, Ricardo, and J.S. Mill, but also Marx) were often very appreciative of the role of politics as both necessary and inevitable, but other currents (such as the so-called Manchester School) and later generations forgot or ignored such admonitions. The more recent key to the naturalization of the economic lies in the mid-twentieth century, with the fusion between natural metaphor, on the one hand, and the adoption of what was presumed to be the statistical practice of physical science, on the other (Mirowski 1993: 339-40). The systematic subordination of the role of practical politics in economic geography is thus the result of the historic conjunction between geography and "economics" as fields of inquiry, with theoretical and methodological training reflecting a clearly greater naturalistic bias from that of those involved in the study of politics and its effects.

Mirowski (1993: 339) quotes an obscure Harvard economist from the 1930s, E.B. Wilson, in offering support for the natural metaphor/statistical practice fusion perspective as the emerging common sense of the time in economic discourse… and since. Confident in his command of the heights of science, Wilson wrote:

> I have never understood what John Dewey meant, if he really meant anything, by saying that the social sciences must not imitate the natural sciences in their methodology but must develop their own methodology.

Elsewhere, expounding on this image of natural order even in the Great Depression of the 1930s:

> I take it that societies could not exist unless they were in a state of quasi equilibrium by which one means that any force applied to the system redistributes its effects fairly widely over the system so that the first order responses are much less than might be figured … This will of course be obvious to everybody and is decidedly a matter of regret to most people having the temperament leading them to desire rapid changes in the socio-economic system. (Mirowski 1993: 340)

The obscure can be said to speak to common knowledge: Mirowski (1993) shows that much of the naturalistic epistemology and statistical methodology of modern economic discourse has its roots in this thinking. Wilson was the chair of Paul Samuelson's Ph.D. thesis committee: The father of the "neoclassical synthesis" that came to dominate economic discourse after the Second World War was socialized into Wilson's common sense. The successful spread of neoliberal ideas associated with Hayek and his acolytes in the 1980s and 1990s rests in a similar model of markets as agents of spontaneous natural order, albeit with eighteenth rather than nineteenth century notions of what that means. “The market” rather than “science” became the guiding icon. Yet, ironically from the start proponents realized that they had to work to construct neoliberalism through political action (Mirowski 2009: 434), their very success providing evidence for my argument.

Even critics of these various orthodoxies in economic discourse seem condemned to compete on the same philosophical terrain, so as to be taken “seriously” as theoretical competitors with the intellectual “gold standard”. Thus those drawing theoretical inspiration from Marx and Schumpeter have similarly grounded their analyses in naturalistic arguments about “urges” to capital accumulation and tendentially declining rates of profit. Much of this can be enlightening if situated in the cultural and political context of a historically evolving capitalism. But the danger here too lies in actively depoliticizing the economic to make it more tractable methodologically. The political is frequently introduced as simply functional or instrumental to the economic (the state as the ruling committee of the bourgeoisie, etc.) rather than as a whole series of sites of political contestation. Policy implications are drawn that presumably will lead to a technocratically defined better economic performance (in both Keynesian “regulated capitalism” and Marxian “post-capitalism” registers), independent of the cut and thrust of the actual political contests that always produce real-world institutional frameworks and policy directions. Yet the modern capitalist economy is a *political* project realized through a massive process of commodification of land, labor, and capital that is the result of political action by states, powerful interest groups, and other agencies within and across state borders. Both the expansion of certain economic practices and their limitation are crucially subject to political intervention and direction.

Students of politics potentially have much to offer to a more explicitly politically informed economic geography, which seeks to denaturalize the economy, relate it to the political and politicize it. Yet, I can see little or very limited interaction across this intellectual boundary. The centennial issue of the *American Political Science Review* in 2006, for instance, reviewing the main themes of the journal mentions little or nothing of direct relevance to economic geography: Certainly no reference to anything resembling economic geography or geographical economics per se. But this could be too limited a perspective: There is much political research in recent years of relevance to economic geography, ranging from a theoretical focus on institutions and their rules to specific empirical studies of central bank independence, banking regulation, tax policies, product safety regulations, and intellectual property dispute mechanisms. Indeed, one genre of political thinking emphasizes the vital role of institutions and the rules and identities that they generate and follow, as opposed to the utility logic of economic agents pursuing pre-defined desires and interests (for example March and Olsen 1984). For example, different industries can be understood as structured by particular combinations of rules and practices that define institutional orders with distinctive sets of actors – employees, financiers, producers, clients – all subject to and active in legislative, legal, and interest group political activity (for example Jullien and Smith 2008; Smith 2009). Such an approach would potentially unify a focus on both economic and political institutions (or organizations) and their interactions as the central problematic of the field, while helping denaturalize and repoliticize economic geography.

Relatedly, such sub-fields of politics as international political economy and comparative political economy are frequently interested in many of the same empirical topics as economic geographers but from a more politically oriented direction: *The Review of International Political Economy*, *Comparative Political Studies*, and *International Organization* are particularly important. With respect to substantial works of relevance, consider Sharman's (2006) research on the impacts on economic development of the politics of global tax regulation, Palen's (2002) writing on the politics of offshore tax havens, Cohen's (2008) collected essays on global monetary governance, Gourevitch's (2003) examination of the cross-national politics of corporate governance structures, Sinclair's (2005) investigation of the political history and economic effects of the powerful US bond rating agencies, and Soskice, Iversen, and Pontussen's (2000) studies of the impact of different central bank policies on the fate of manufacturing industries and their workers. Some of this has obviously seeped into economic geography, as in Tickell and Peck's (2003) overture on the political origins of neoliberal policies in the 1980s and 1990s, Corbridge et al's (1994) work on the politics of global monetary geography, and Storper's (1997) attention to the politics of regional development, but without much overall effect on thinking across the field more broadly. My perception is that much of this interest from the 1990s has not been sustained in subsequent years.

Politics is about the struggle by groups of people for alternative futures, through institutions and their rules inherited from the past but subject to potential reformulation and reform. Many political institutions remain primarily territorial in scope, but increasingly they and the economic (and other) transactions they direct and regulate operate across networks that are not neatly territorialized (Allen 2003). This mismatch is itself one of the main political challenges of the day (Agnew 2009).

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The emergence of a separate field of economic geography in the 1960s, particularly in its manifestation as regional science, included widespread adoption of the above-discussed model of economic discourse. Even radical political economy's reaction against this, discussed elsewhere in this volume, did not lead to much re-evaluation of the role of "the political", except insofar as it represented a negative judgment on the welfare consequences for poorer groups of the standard approaches and the need to pay some lip service to the political division of the world. "Regulation and governance" typically are reduced to the workings of an ideal-type "state", abstracted from serious consideration of the actual politics going on within it and totally innocent of the political processes that operate within the wider economy beyond the purview of the state per se (such as international and supranational institutions, and private organizations and social actors of various sorts--unions, business associations, charities, etc.) As the largest employer in many countries, the state is also an economic actor in its own right, not simply a regulating mechanism for otherwise entirely "private" actors.

In his recent overview of economic geography, Ron Martin (2008: xv) is undoubtedly correct to write: "Since the early 1990s ... the mode of theorization and abstraction employed by economic geographers has moved distinctly away from the pursuit of high-level generalizations, whether of a positivistic location-theoretic or historical-materialist Marxist kind, to an increasing emphasis on the locally contextual, contingent and embedded". At the same time, as he also notes, a new geographical economics has sprung up that explicitly returns to a naturalistic modeling approach, often without any of the political and cultural contingencies recently introduced by "proper" economic geography. Looking beyond the still largely functionalist rendering of "economic regulation", in what for him is the apparent mainstream of the field, Martin (2008: xxx) hopes for an increasing engagement with the political not least because "the new spaces of economic regulation are being reconfigured in historic ways, with major implications for how we think about the geographies of economies". The idealized sovereign territorial state is presumably what he has in mind as facing some sort of transcendence. I want to pursue these issues now in somewhat more detail in relation to three areas that have been of much interest in recent economic geography: globalization, money and finance, and spatial clusters.

Globalization

Typical narratives of globalization in economic geography see it as an almost entirely economic phenomenon. The dominant image is of a world that is increasingly economically interdependent, with less restrictive trade and investment boundaries between states. Globalization is conceptualized (for example Harvey 2001; Scott 1998), through either of two frames: as a spatial fix to declining profit rates of big business in the US and other countries in the 1960s, as domestic markets saturated, productivity declined relative to labor costs, and consumer markets became customized rather than mass-production oriented; or as a temporal shift away from territorial economies in response to the possibility of spatially-distributed production chains and the capture of external economies within firms, or by clusters of firms, at discrete sites. Either way, the conquest of space by time or "time-space compression", enabled by a revolution in transportation, logistics and communication technologies, is producing a totally different globalized world economy, compared to that which prevailed a scant thirty years earlier.

Of course, there are differences of emphasis or political judgment between commentators about the consequences of what is understood as globalization. Yet the general narrative is almost entirely depoliticized, with, little attention given to the geopolitical or national-political contexts in which recent globalization has arisen. This recent phase did not just “happen”, nor is it an unmediated result of economic processes. Three pre-eminently political processes have been involved (Agnew 2005: Chapter 6). First, the United States has been a major sponsor of globalization, partly as the result of its geopolitical competition with the former Soviet Union: as the sponsor of a so-called “free-world economy” successive US governments worked vigorously to open up the world economy to trade. Obviously, some of the impetus for this came from US-based businesses that lobbied US governments for reciprocal reductions in tariffs (through the General Agreement on Tariffs and Trade) so as to expand their export markets (Dicken 2003). But the large size of the US domestic market and the local dependence of many US businesses meant that not all US businesses favored this global strategy. Politics was at work. Without the dramatic reductions in tariffs on manufactured goods, negotiated in the 1950s and 1960s, the possibilities of a later globalization in the shape we have seen it would have been limited. Second was the emergence in the US of the prototypical multinational corporation, increasingly drawn to expand operations globally in competition with co-nationals and foreign equivalents (for example Frieden 2006: Chapters 11 and 12). A direct product of the US “marketplace society” that evolved particularly in the years after the Civil War, these companies were agents of a consumer capitalism that expanded worldwide, from the US, in the years after 1945 (Barkan this volume). This was not “natural”: It arose within a specific spatial-political context, the

United States, becoming a global possibility because of the ability of the United States as a world power to “sell” this model worldwide.

Finally, the increased importance of financial markets, world cities, and credit flows under globalization owes much to the directly political act of the US government in abrogating in 1971 the 1944 Bretton Woods Agreement, thereby liberating many national currencies from being fixed in value to the US dollar. Arguably, this single act catalyzed much of the financial industry that has grown up since. Designed by the Nixon Administration, to make US exports more competitive at a difficult time for the US economy, the resulting flexible exchange-rate regime has been as important in enabling globalization as any technological changes in computing and transportation. Indeed, the Bretton Woods Agreement was not only important in stabilizing the world economy of the time, but also underpinned social democracy and the welfare state (for example Frieden 2006: Chapters 12 and 15).

Since the 1980s, politics has been at work in a number of other ways in directing and changing globalization. One has been the spread of a new neoliberal growth model, based around liberalized and deregulated financial and commodity markets and devoted to replacing what had gone for the previous Bretton Woods system. Picked up and sponsored by certain political parties, such as the Conservatives and later “New” Labour in Britain, and the Republicans and centrist Democrats in the US, this was never simply a question of intellectual conviction on the part of economic actors. Avowedly anti-government, neo-liberalism has in fact been entirely dependent on political victories for its success. But these should not be read as preordained victories for capital or for a new economic base over a fading ideological superstructure (Harvey 2005). In the context of high inflation and declining economic growth in many industrialized countries in the late 1970s and early 1980s, neo-liberalism promised an economic boom premised on rolling back government spending, pacifying labor unions, privatizing state assets, and turning citizens into “financial subjects”, forced to bear total responsibility for their own life decisions (parenthood and pensions, in particular), in return for an explosion of private investment that would supposedly follow from the lower tax rates on high incomes that a “smaller” state would allow (Stein 2010). The sudden collapse of Soviet communism and its state-centered model of economic development, and the political success of those in Britain and the US in particular who believed that financial services could be the basis for a new economic renaissance, were important in boosting popular support for neoliberal practices. This required the adoption of a reinvigorated view of government, never completely absent particularly in the United States, as the enemy of economic welfare, and the elevation of an abstracted “market” as the idealized alternative to the politics of liberal democracy (Brown 2003).

Though based in a naturalized sense of economic order that would presumably apply universally (pace Harvey 2005), governments have signed up fully for this program only in some countries, notwithstanding its worldwide effects (increased reliance of many countries on deregulated foreign exchange and credit markets, and the flood of investment from the industrialized world into so-called emerging markets such as China). In other countries elements of the package may well have been adopted for macroeconomic management (central bank independence of governments, removing capital controls, floating exchange-rates, etc.) but little or nothing has been done on such fronts as the privatization of state assets or the shift from defined-benefit to definedcontribution pensions (for example Iversen and Stephens 2008). Income inequality has shot up most sharply in those countries that most rigorously have adopted the ministrations of neo-liberalism. In the US and Britain, the gap between bankers' salaries and the average worker's wages approach levels not seen since the end of the nineteenth century. Choices have been made; politics at work again.

Other governments elsewhere have been actively engaged in strategic development programs departing considerably from neoliberal nostrums about a minimalist state pursuing export-oriented growth. Their foreign-exchange surpluses are then recycled through global financial markets. Indeed, some governments have created so-called sovereign wealth funds (investment banks run by states) with which to channel their surpluses into investments in industrial firms, banks, and insurance companies in the United States and Europe. This is not so much a reinstatement of state-based economic development, as it is a new strand to globalization that makes use of private asset managers for ends ultimately decided within the bounds of political institutions (Dixon 2010).

Finally, one of the most important features of globalization has been the way in which what can be called competitive advantage, based on explicit organization of places for insertion into the world economy, has replaced what was left of a naturalized comparative advantage as an explanatory motif. If the latter is always premised on an "even surface", with economic specialization decided on its (natural) merits, the former presumes that there is no such thing. An important insight of recent economic geography has been the focus on the "relational assets" of certain places, and how their spatial distribution entails new patterns of uneven development (for example Storper 1997).

Again, rather than being purely "natural" occurrences, these assets are the result of spending on public goods (education, highways, ports, etc.) and the political-economic processes involved in making places more competitive through explicit political choices and institutional development (for example Nugent and Robinson 2010). In sum, globalization owes more to politics than to anything else.

Money and Finance

The story here is more complicated, not least because modern money is issued and regulated by national or supranational central banks subject to explicit political pressure. A literature developed in the 1990s in economic geography that addressed the historic neglect of money and finance in the field because of its longstanding obsession with manufacturing industry, also suggesting how important politics was to their operations (for example Corbridge et al 1994). Yet, of course, one consequence of the spread and adoption of neoliberal practices has been to make it seem as if the flow of money and the world of finance associated with managing and profiting from it is subject to laws akin to those in the natural world. The "growing power" of financial markets has become a frequent trope in the economic geography literature on money and finance. Some of this attribution of independent causal power to "markets" reflects a naturalized epistemology; some rests on the increasing appeal of perspectives that focus on the role of non-human technologies (electronic trading platforms, credit scoring algorithms, etc.) in producing financial markets that operate as if they were beyond human control. As Hall (2011: 235) says in relation to this latter trend: "it potentially reifies forms of 'rational', neoclassical economic calculation and hence overlooks questions of power and politics in the reproduction of the international financial system".

Four points are worth arguing in relation to this general rendering of the geography of money and finance. First of all, governments and related institutions such as central banks retain immense powers over money and finance: Consider the measures taken in the US and Britain in response to the bank runs and failures in 2007-8 (Engelen this volume). Yet the exuberance about the supposed capacity of new financial products to spread risk geographically and iron out the business cycle resulted in both complacency about the permanence of these benefits and an almost complete neglect of the licensing power of the state institutions that underwrote the entire neo-liberal monetary experiment. Crucially, monetary policies have been put out of reach of normal democratic politics, given over to technocratic management that then essentially sold out to narrow financial interests claiming a technical expertise lacking in broader publics (Mann 2010). But there is nothing inevitable about this: Central banks can be pressured to pursue monetary policies geared towards reducing unemployment and to limit banks' powers.

Many national governments, in countries from Iceland and Ireland to the United States and Spain, have followed policies, particularly in relation to housing finance and pensions, that have been at the heart of the financial innovations and market mechanisms closely associated with the boom of new financial capitalism and its collapse of 2007-8. Many such policies continued an older Keynesian-style commitment to demand management through housing construction and homeownership, albeit increasingly beholden to the new market intermediaries designed to let banks and other financial interests in on the action, replacing the direct interventions (public housing, housing subsidies to veterans, etc.) of previous epochs. In the US, 1992 was a key year:

government-sponsored enterprises (the Federal National Mortgage Association and the Federal Home Loan Credit Corporation), long associated with the political goals of providing subsidized housing and increasing levels of homeownership, were switching towards backstopping mortgage lending by private banks--arguably a major source of the sub-prime mortgage crisis (Acharya et al 2011). Yet, countries nevertheless differ substantially in how policies have been defined and implemented, suggesting that substantially different political-economic paths drove change (for example Clark and Wojcik 2007; Dixon 2011), irrespective of the similarities in the outcome of the crisis. Market ideologues have long claimed, of course, that markets do not require either political or normative foundations. They just arise spontaneously (there's that word again) to ensure that supply and demand match. In light of the recent collapse this requires a leap of faith possible only for those who have not examined closely what happened to market governance in the 1980s and 1990s (Financial Crisis Inquiry Commission 2011). As Krippner (2011) has persuasively argued, the "turn" to the market at that time was a response to the breakdown of the postwar managed economy, not simply the acceptance of neo-liberal nostrums. Indeed, depoliticization was central to the strategy: "Depoliticization ... offered an answer to the basic dilemma confronted by neoliberal policymakers who faced contradictory imperatives to regulate the economy while deflecting attention from their active role in guiding economic outcomes. But while reliance on market mechanisms provided essential protection to policymakers, it also involved significant loss of control over the outcomes of policy" (Krippner 2011: 147). Finally, money has political as well as economic attributes in terms of how currencies operate and relate to one another. In the 1980s and 1990s there was some interest in this among economic geographers (for example Corbridge et al 1994), which has largely dissolved over the past fifteen years. The US dollar, for example, is not just another national currency. Particularly since its abrogation of the Bretton Woods system, the US government has had immense political-economic leverage stemming from the dollar's roles as a reserve currency and currency for international transactions and national bank reserves (for example Helleiner and Kirshner 2009; Eichengreen 2011). The system of floating exchange rates initiated by the abrogation of Bretton Woods lies at the heart of the global financial system that has emerged since the 1980s. Arguably, the ability of the US economy to borrow so heavily for private and public credit beyond US shores owes much to the centrality of the US dollar to the world economy in general, and as a component of Chinese government reserves (among others) in particular. Yet the dominant role of the US dollar seems increasingly in doubt in the aftermath of 2007-8, in a world economy where a dramatic rebalancing is going on, not least in terms of the explosion of manufacturing capacity in, and off-shoring of many service industries to, for example, China and India. This dollar-centered floating exchange rate system is only one of the several monetary systems currently at work around the world, each interacting with one another to some degree (Agnew 2010). China has a heavily government-managed exchange rate and capital controls restrict the flow of Chinese *renminbi* out of the country. Much of Latin America and the illegal world economy (drugs, money laundering, etc.) is heavily dollarized (although local national currencies still operate domestically). The Eurozone has forged a new integrated currency for the bulk of its members, albeit with serious problems because of poor coordination between centralized monetary policy (interest rate, money supply, etc.) at the Eurozone scale and national governments' fiscal policies. Each such system serves political as well as narrowly economic goals, providing the overall context in which multinational firms and financial institutions must necessarily operate. There's nothing natural about any of them. Politics drives the entire process.

Spatial Clusters

The localization of global economic space, or the ways in which places figure into the restructuring of economies, has long been an important focus for economic geography (Coe and Hess this volume). A huge amount of what now goes for economic geography is concerned with such issues as the role of proximity in new industries, the involvement of knowledge in industrial clusters, the declining role of transport costs and the increased importance of external economies in global uneven development, and the historical development of specialized industrial districts. Fully two-thirds of the articles in Martin's (2008) survey of key works in contemporary economic geography are concerned with such topics. The literature has a twofold focus: Corporate strategies and linkages between small firms. Some attention is given, particularly in the latter case, to the roles of regional "institutions" and local politics. Yet few have been as explicit as Painter (1997), in arguing for the centrality of politics to local economic development. "Governance" and "institutions" often appear as black boxes on the outskirts of the central relationships between firms, territories/places, and external economies. When "the state" is brought in, it is typically either as an exogenous force introducing shocks or as sets of policies and plans functional to the interests of presumed dominant groups.

The overriding emphasis on external economies has been criticized primarily for its exaggeration of the demise of mass production and failures to distinguish adequately between very different “clusters” (world financial centers, high-tech innovation districts, revived craft industries). Such econocentric critiques overlook, however, the widespread neglect of the role of politics in creating tax and industrial policies favoring some sorts of development over others. For example, the dynamic of the model of industrial districts in Italy is pervasive nationally, rather than simply restricted to regions such as the so-called Third Italy, and its deeper grounding in particular places owes much to both local politics and the linkages between local and national politics. It is not simply localized, in terms of all of its relevant attributes including the political ones, but relies on successful mediation across local, national, and external political arenas (Messina 2001; Shin et al 2006).

How mediation happens, however, varies across countries: There is no universal model of spatial clustering, because of the differential development of, and effects of national and regional political initiatives. So-called liberal (such as Britain) and coordinated market economies (such as Sweden) differ profoundly in how national and local politics play out in local economies (for example Rafiqui 2010). As Farole et al (2011: 73) rightly emphasize: “the relationship between institutions and economic growth is an endogenous one. Institutions and economic growth co-evolve, with changes in capacity building and improvements in governance contributing to the development of economic activity and *vice versa*”. In the absence of such a virtuous circle, neither spatial clusters nor sustained economic growth on a wider scale will take place: There is a politics as well as an economics of relative economic efficiency.

Of course, the baby should not be thrown out with the bath water. Even though politics is vital to understanding the genesis and relative success of different spatial clusters, the behavior of firms and workforces remains of continuing significance. As firms search for improved profits and lower costs they also potentially can move elsewhere, giving them a certain veto power. Local labor forces increasingly face employers with more options than any available to them. Only through their collective political organization beyond the local scale can they hope to counterbalance that advantage. If politics led into their impasse, politics offers a way out of it.

Conclusion

The arrival of neoliberal economic policy in the 1980s in many countries reinstated a naturalized conception of markets as completely non-political mechanisms for allocating resources and setting prices. Markets can undoubtedly serve such purposes but require a framework of rules and regulations, subject to political contestation and reformulation. The most powerful intellectual consequence of neo-liberalism has been the effective depoliticization of discussions of economic ends because of its essentially technocratic conception of "the economic". In this view, once ill-fated political tampering is abandoned markets will work their miracles; nature mandates markets, not politics.

I have argued, however, that depoliticization has much older roots, in a type of Enlightenment economic discourse that sees the economic as more natural and basic than the social or the political. This has both intellectual and normative-political corollaries. In the first case, we are left with a sense of economic "forces" that carry with them the imprimatur of nature, and should be modeled as we would the earth's mechanical forces. If needed, organized intervention must work with such forces or be eschewed. E.B. Wilson would be proud. In the second case, we must question the way in which the idealized "market" has been ennobled at the expense of politics (and non-market institutions): In fact, politics led to such elevation, as a consequence of decisions in the 1980s to abandon direct government fiscal policies for indirect ones making and then relying on the very markets that were pronounced as spontaneous. Using politics for depoliticization is hardly news. But devaluing politics when you are critical of what the economy hath wrought diminishes the prospects for imagining and acting on alternatives.

Contemporary economic geography is far from being enamored of neoliberal logic. Yet its continuing informality and lack of clarity in paying explicit attention to the political dimensions of economic phenomena tends to reproduce the naturalized tradition of thinking from which economic geography evolved, and which also happens to underpin neoliberal thinking. Borrowing more explicitly from the political literature on economic policy making and regulation, if not wholeheartedly adopting a rule-based institutionalism for the field as whole, would at least allow political critique of current economic geographies to be more than mere rhetorical flourish.

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