

The *territorial economy*: a general approach in order to understand and deal with globalization¹

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1 INTRODUCTION

Today many contributions are dedicated to the role of industrial districts, clusters and other such networks in local economic development, or to local innovation dynamics (innovative milieus, technopoles, regional innovation systems, learning regions and so on). In our opinion, the crucial question at present no longer consists of providing new notions and concepts. We believe that it is time to develop a more ambitious, *theory-oriented* research programme that aims to take space and time in socio-economic theory fully into account. The objective of this chapter is to give a first account of what we believe to be the upcoming issues and theoretical questions in research about territorial economic dynamics. Indeed, a better understanding of the territorial economy is central to greater understanding of the roles that networks play in local economic development processes.

This proposal is currently being discussed within the European Research Group on Innovative Milieu (GREMI) in order to define a new research programme. For 20 years the GREMI has been working on building a conceptual framework aimed at understanding the role of local dynamics in the more general transformations of the economy and society, as well as in proposing policies.

The GREMI research programme has so far been characterized by a close, systematic interaction between on-site work and theorization. Each inquiry, by producing examples and counterexamples, has made it possible to develop the concept of innovative milieus. During the first investigation,

the innovative milieu was just a black box. In fact, in the mid-1980s, Philippe Aydalot's hypothesis was that 'something', localized on the regional level, made it possible to understand why certain regions were more dynamic than others (Aydalot, 1986). On this basis, the black box was thus opened and then filled, thanks to a close interaction between theoretical research and fieldwork. The GREMI conducted six sets of surveys (Aydalot, 1986; Maillat & Perrin, 1992; Maillat et al., 1993; Ratti et al., 1997; Crevoisier & Camagni, 2000; Camagni et al., 2004) and gave rise to a large literature analysing these issues (for accounts in English, see Vazquez-Barquero (2002) and Crevoisier (2004), and for an account in French see Camagni and Maillat (2006). This taste for linking systematically empirical and conceptual research is certainly the binding factor within the GREMI. Today, however, this research programme has, in our opinion, successfully come to an end and it is necessary to renew the research agenda while keeping the originality of the approach and of the methods. That is why a two-day workshop was organized in Neuchâtel in March 2005. A presentation of the resulting paper subsequently contributed towards discussion and analysis of the relationship between networks, governance and economic development at the ESF workshop, 'The Governance of Networks as a Determinant of Local Economic Development', in San Sebastian in November 2005.

Our initial assertion is that socioeconomic questioning cannot be understood either independently of space and time, or, in an abstract way, without reference to concrete, situated and dated *situations*. Therefore, *Territorial Economy* is a research programme on two levels. First, it aims to understand emerging socioeconomic questions (concrete, situated and dated) (Part 1). Second, it tries to build a renewed theoretical approach based on the assertion that spatialities and temporalities are not neutral frames, but, on the contrary, constitutive elements of socioeconomic transformations (Part 2).

In order to reinforce this proposition, disciplinary barriers need to be bridged. Ties need to be strengthened in particular between economics (especially the institutionalist approach) and geography, because both focus on situated phenomena.

This approach should make it possible to ask questions about development in general, in an original way. Nevertheless, it supposes going beyond, or at least enriching, the classical approach to innovative milieus (centred on products, on technology, on industrial production, and so on) and to envisage innovation/change in a more global way. It is now necessary to enlarge the notion of innovation and to shift to the more general notion of *trans-formation*. The latter notion gives an account of the spatial and temporal nature of changes, while alluding to the concept of *trans-action* put forward by Commons (1934).

2 THE SOCIOECONOMIC OBJECTIVES: IDENTIFYING CURRENT QUESTIONING AND RESPONDING TO IT

The originality of our proposal can be summed up thus: socioeconomic questionings cannot be understood either independently of space and time or in an abstract way without reference to concrete, situated and dated situations. A research programme is only meaningful if it deals with the questions of its era. Among these, and without wishing to provide an exhaustive list, two in particular appear to us to be important.

2.1 The Rise of Service-type Activities with a High Cultural Content

The nature of economic innovation has undergone considerable modification over the last 15 years. Innovation of a predominantly technological nature is no longer as central within an economy massively dominated by services and in which the intangible and the cultural play a major role. The cultural industries (cinema, media, publishing, leisure, sport, wellbeing and so on), finance (including services to companies) and the higher services (health, higher education and so on) form the heart of the richest European economies. Traditional activities (clothing, agro-food, etc.) are reorganizing themselves around these axes while undergoing massive and long-distance relocation.

A first consequence of this is that *face-to-face relations, or at least proximity relations, play a greater role within the economic systems*. With the considerable growth in the mobility of factors and of consumers, these service activities are moving more and more towards export, to the point that they form new, complex production/consumption systems. The production location also becomes the location where expenditure occurs, and this leads to the growth of the large urban regions that represent considerable markets. Consequently, the innovative milieus are not exclusively productive. Within the service-oriented economy, the supply/demand relationship becomes more of a structuring element within territorial construction. The image of regional or national production systems that export their products far away becomes obsolete, or at the very least must be re-examined. For example, major football clubs have, by tradition, local markets. Today, they constitute considerable poles of attraction within certain urban economies but also well beyond them because of their impact on tourism (spectators flocking to matches, visits to the stadiums, image effects and so on), plus their related tertiary and industrial activities (television broadcasts, merchandising and so on). In such systems, the new information and telecommunications technologies and the media play an

essential role, since they permit – in activities such as finance or sport – remote, large-scale sales of the products/services resulting from a complex local dynamic.

Another characteristic of this service-oriented and intangible economy is the *close imbrication of the cultural and economic dynamics* and consequently the questioning of the traditional frontiers between the sociocultural and economic spheres. Innovation can in fact be characterized today by the incorporation of increasingly marked ‘cultural components’. By definition, cultural resources (national heritage, either natural or constructed), history, lifestyles, aesthetic traditions, etc. constitute the basic components of a community or of a society. To produce and to innovate today is to confront someone and to sell him cultural specificity. By doing so, of course, the relations between a company and its ‘clients’ are placed at risk. Commercial relations are less and less distinct from the cultural and social link, both within a company and beyond it. To innovate is to differentiate while continuing to maintain the aspect of intercultural, commercial exchange.

2.2 The Growth of Mobility/Anchoring and Economic, Sociocultural and Spatial Continuities/Fragmentations

The extraordinary growth in the circulation of goods, but above all of capital, individuals and knowledge is the other transformation that is marking our societies and that cannot be ignored. The causes of this growth in circulation are multiple, ranging from the development of new technology and transport systems to international agreements. Naturally, this increase in circulation does not take place at random or in a generalized way: it affects certain territories more than others, and leads to new spatial configurations (for example the ‘global cities’, Sassen, 1991); it transforms relationships of power; it increases the pressure on the natural and constructed environment massively yet selectively.

Our hypothesis is that, *with the increase in mobility, the question of anchoring¹ arises in an accentuated and renewed way*. In fact, although financial capital makes it possible to transfer the ownership of securities from one corner of the globe to the other instantaneously, the question of the spaces concerned by these transactions arises. The actors and the spaces participate in this movement in ways that differ tremendously. Some of them master it and derive benefit from it, while others are at a disadvantage. Yet others simply remain at the sidelines of these movements.

The changes concerning the mobility of individuals and competences are also considerable. The traditional hypothesis of the regional economy, which once considered capital to be mobile at least on a national scale and

labour to be largely immobile within the region, is no longer tenable. The circulation of skilled personnel has grown considerably, to the point where the great majority of European flights are now day returns. Concerning less qualified persons, and above all those from countries that are not in the European Union, migration is becoming extremely difficult and fraught with perils.

All of this leads to various paradoxes: the hyper-mobility of capital, which stimulates the development of both 'global cities' and at the same time micro credit initiatives; or the increased circulation of the elites and their competences that goes hand-in-hand with the dramatic tightening of frontiers that is bringing about thousands of deaths each year in the Mediterranean and the Rio Grande. Further aspects that are becoming more prevalent are the question of the articulation of competences and of know-how, and also that of the social conditions surrounding the mobilization of a labour force coming from territories that are both strongly compartmentalized and/or distant and increasingly economically integrated.

A first set of questions leads back to the issue of mobility/anchoring. How are forms of anchoring or capacities for interacting and developing complex apprenticeships created? What spaces are able to participate in rich dynamics that have become multi-local and multi-scale? What responses can be provided when 'holes' (ever deeper spatial ruptures) appear in the territory? Everything takes place as if, paradoxically, anchoring takes place both via seeking specificity and territorial construction and by the mobility of the resources.

A second set of questions concerns the nature of globalization and the construction of proximity. The selective continuity process of production processes, which involves long distances and which is in constant movement, leads to fragmentation on a proximity level. Territorialization persists in new forms: during the 1980s, it was possible to observe spaces reputed to be continuous and that functioned by means of osmosis between production and society, and in a world where accelerated circulation had not been integrated. Today, it is necessary to bear in mind that there are discontinuous territories, discrete territories and ruptures not only among the regions but within the very interior of the spaces and cities. Our hypothesis is that *what is global is not a non-differentiated space but a process of developing a close relationship between distant spaces: the discontinuous spaces that are the reference territories of today*. To describe these, observing the mosaic of the production systems or innovative milieus is no longer sufficient. Other ideal-types regarding territories remain to be constructed.

Thus, the system of the 'here and there', i.e. the multi-local, is tending to become articulated with that of 'local and global', i.e. the multi-scale. If we

now place that in relation to the contemporary characteristics of innovation (the ‘culturisation’ of products/services), it follows that seeking and constructing specificities of an increasingly cultural nature is also an identity system, not only among nations or regions taking part in the exchange but also a decomposition/recomposition system of the local societies themselves.

Within the delocalization processes, we thus place the ‘here and there’ in relation with one another; we should move on to study ‘multi-scale dynamics’, become interested in productive networks, in forms of circulations, and in the multi-local; we should take into account the modalities of the exchange in the space–time contraction, but also the multicoordinations and their impact in terms of the convergence–divergence of territories and also within territories.

The phenomenon of ‘globalization’ has never had any genuine theoretical content. We contented ourselves with identifying and understanding local dynamics on the basis of transformations initiated on the global scale, yet without knowing who instigates them or where they begin. Today, it is time to give these transformations content, by observing the ‘multi-scale dynamics’. Our perspective will be to operate a formulation based on the postulate that the territory is the key to understanding changes in the world.

2.3 An Initial Objective: the Territory as *the Regulator of Globalization*

During the 1980s, the work of the GREMI (Aydalot, 1986) was based on the question of regions in crisis, on the problems inherited from industrialization and, of course, on the possibilities of requalifying these territories by deriving inspiration from the ‘successful’ milieus. Today, the question for the territories has become, on the one hand, that of participation in forms of circulation, of legibility and of long-distance networking, and, on the other, that of *regulating the ruptures and discontinuities* that exist within cities and regions.

Our hypothesis is, in fact, that the growth of mobility leads to an increased necessity for reanchoring. This leads to the necessity of reformulating a ‘new, New Spatial Division of Labour (NSDL)’. To date, we had the postulate of the immobility of labour, of competences, of consumers and the low mobility of capital – yet this is no longer valid. What is the spatial division of labour today? What place do territories hold within relations among local production systems at every corner of the globe? Mobility and the confrontation of territories constitute the two processes of a ‘new’ NSDL.

The relationship between mobility and anchoring can be read from the point of view of the utilization of the territory (logic of localization/delocalization, but also of its specialization, merchandization, etc.). We can also observe this through the incoherencies, the ruptures, the dysfunctions,

the pressures of all kinds; for example, the global pressure brought to bear on certain places is becoming massive because they become part of the circuits, and on the other hand there is the question of those territories that find themselves excluded from the logics of circulation. It is, in a way, a question of measuring what participating (or not participating) in mobility implies from the point of view of the conditions for the sustainability of economic development.

3 THE THEORETICAL OBJECTIVE: PLACING THE TERRITORY AT THE CENTRE OF ECONOMIC NOTIONS, CONCEPTS AND THEORIES IN ORDER TO RECREATE SOMETHING MEANINGFUL

Territorial economics consists of approaching questions of economics by means of time, space, and by systematic reference to *concrete situations*. But *territorial economics is a theoretical project that encompasses more than this*. It is vital to carry out a new reading of economics from the territorial angle, and even to go further, that is, to state the principles behind a genuinely territorial, political form of economics.

It is thus necessary to envisage laying the methodological and theoretical foundations of the territorial approach a) as a social science that is likely to serve as a reference within inter-disciplinarity, b) as a research method, a fundamentally methodological theory, and c) as a (re)reading grid for the key concepts of economics.

Proposal: In order to be understood, conceptualized and theorized, economic transformations are perceived from the angle of time and space. However, space and time are not neutral frameworks of the economic process, but the constitutive elements of these processes. On the methodological level, these transformations cannot be understood without relating them to concrete terrains and to society's questioning.

This approach is aimed at providing a basic explanation of economic phenomena by means of territory. The GREMI has without doubt succeeded in giving such a status to the concept of innovation. Innovation is no longer simply a novelty (temporal aspect) that has appeared on the (abstract) market. It is also the result of a confrontation between a milieu (which is both conceptualized and which pertains to concrete, dated and situated *situations*) and its environment. The history of the place and its present capacity to project itself into the future are constitutive factors within territorial innovation. The local conditions and the processes of

differentiation, specification or specialization in relation to the ‘elsewhere’ or the ‘global’, are equally essential to the very conception of the notion of innovation from the GREMI’s perspective.

We could also cite as an example the *financial capital*, whose principal characteristic in terms of territorial economics is instantaneous or highly short-term mobility within space. This capacity to defect, however, cannot take place in an abstract space but in a structured one with certain places that are able to generate this mobility, to manage it and to attract the financial capital and to carry out its re-anchoring. *Real capital*, on the other hand, is characterized by its virtual immobility in the long term. Its articulation with concrete, local conditions is a necessity if it is to reproduce. Real capital can be handled like all the concrete production capacities of a given society at a given moment.

Finally, beyond the reformulation of the concepts and theories of political economics, territorial economics should construct new ideal-types besides that of the innovative milieu. We could imagine, for instance, a ‘new’ New Spatial Division of Labour, although this merits a better term.

These ideal-types are made up of relations and ruptures in space and time, relations that consist of both articulations and tensions. For example, how can the virtually instantaneous hypermobility of financial capital and the temporalities of innovation be articulated with one another? This question has been the subject of a considerable amount of literature, to which territorial economics can provide original responses.

NOTES

1. Anchoring can be defined as the way in which a potentially mobile resource or actor (worker, firm, etc.) interacts with its context, be this context new (after an episode of mobility) or not. This concept is close to that of *embeddedness* (see the works of Granovetter, 1985; Grossetti, 2004), but embeddedness does not take into account mobility and therefore tends to overemphasize the importance of local history. *Anchoring* can take different forms and degrees. For example, players practising *exit* have poor local relations and have to change place often. Players practising *voice* develop strong mutually transforming interactions with the local context, for instance through learning processes.
2. This chapter has its origins in a two-day workshop ‘Finding New Paths for Innovative Milieus’, held in Neuchâtel on 17 and 19 March 2005.

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