Chapter 6

Institutional Approaches in Economic Geography

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Introduction: The "New Institutionalism" in Economic Geography

Over the past decade, economic geography has undergone something of a renaissance, expanding its theoretical foundations, methodologies, and empirical reach considerably in the process (see, for example, Lee and Wills, 1997; Bryson et al., 1999; Clark et al., 2000). One of the key elements in this expansion and re-orientation has been what might be called the "institutional turn," the recognition that the form and evolution of the economic landscape cannot be fully understood without giving due attention to the various social institutions on which economic activity depends and through which it is shaped.

This "institutional turn" derives from various sources. In part, it has spiraled out of the widespread adoption by economic geographers of French regulation theory, especially the latter's emphasis on the "mode of social regulation;" the ensemble of rules, customs, norms, conventions, and interventions which mediate and support economic production, accumulation, and consumption.[1] Despite the fact that regulation theory itself fails to provide any detailed conceptual account of the nature and evolution of those social frameworks (beyond some broad discussions of the role of the state), it has nevertheless focused geographers' attention on the nature of the socio-institutional structure as an "essential underpinning of efficient capitalist production" (Storper and Walker, 1989, p. 5).

A second catalyst has been the growing recognition of the "socio-cultural" within economic geography. Traditionally, economic geographers have tended to define their subject matter in terms of what they see as the "purely economic," and to exclude social and cultural factors from their analyses, either on grounds of relative unimportance or because of the desire to demarcate their subfield from other specialisms within human geography. But it is now fast becoming recognized that, however artfully one carves the intra-disciplinary joints, as it were, the "purely economic" is a contrived construct. The economic process is also a socio-cultural process (see Thrift and Olds, 1996; Crang, 1997), and institutions are central to the socio-cultural construction of the economic.

A third influence stems from developments elsewhere in the social sciences, especially in economics, sociology, and political science. Over the past two decades, these disciplines have themselves experienced a growth in "institutionalism." In economics, it is now acknowledged that institutional factors play a key role at all levels in the economy, from the structure and functions of the firm, through the operation of markets, to the form of state intervention (see Williamson, 1985; Hodgson, 1988; North, 1990). At the same time, by reinterpreting economic action as social action, sociologists have similarly highlighted the pervasiveness and importance of social institutions in economic life (for example, Granovetter, 1985; Zukin and DiMaggio, 1990; Granovetter and Swedberg, 1992). And for their part, political scientists are increasingly emphasizing the institutional organization of the polity, and how national differences in institutional organization influence political, social, and economic outcomes (see March and Olsen, 1989; Steinmo et al., 1992). In all three instances, institutionalist perspectives have developed as a reaction to the behavioral approaches that became prominent in the 1960s and early 1970s. Given the increasing "blurring of the boundaries" between the social sciences, it is perhaps not surprising that this wave of institutionalism should have begun to permeate economic geography.

Fourthly, without doubt the rise of the institutional turn in economic geography has also been stimulated by the upheavals that have actually been underway over the past two decades in the institutions of capitalism. In regulation theory parlance, the institutional forms that underpinned and regulated the post-World War II "Fordist" regime of economic accumulation have become increasingly ineffectual in the face of the shift to a new regime of "post-Fordist" economic accumulation. In every capitalist nation, the old institutional frameworks are being abandoned as economic organizations, social groups, and states themselves search for new institutional configurations more congruent with the markedly different, and still rapidly changing, economic conditions of "post-Fordism." The institutional landscapes of capitalism are being redrawn and, rightly, geographers have become closely interested in the nature and implications of this process.

For all these reasons, then, "institutions" are firmly on the research agenda in economic geography. This is not to suggest, however, that a fully articulated "institutionalist economic geography" has yet emerged. To the contrary, the field is still very much in its infancy. And, as with any new approach or perspective, the novelty of new ideas, even when set against the omissions and weaknesses of old approaches, is not itself sufficient to proclaim an advance in understanding. Institutionalist terminology may have become widespread within economic geography, but many of the terms and concepts used, such as "institution," "institutional thickness," "social embeddedness," "networks," and "governance," have yet to acquire commonly agreed definitions.[2] This is not to devalue the significance of the "institutionalist turn" in economic geography, but to point up the fact that it is still in its early stages. It is, however, a movement that seems certain to grow in importance over the coming years. My aim in this chapter is to provide a (necessarily selective) map of this emerging terrain of institutionalist economic geography, bearing in mind that it is a terrain that is still being explored.

Delimiting Institutionalist Economic Geography

What, then, do we mean by an institutional approach to economic geography? Conventionally, economic geography has tended to abstract economic action from its social, political, and cultural contexts (Martin, 1994; Sunley, 1996). In the standard location-theoretic models of industrial geography, for example, economic action is atomistic, rational, and maximizing; socio-political context is "held constant," that is, ignored. Even though Marxist economic geography emphasizes the class relations inherent in capitalist accumulation, here too the theoretical framework remains firmly economistic, in that socio-political and cultural structures are assumed to be determined by, rather than being determinants of or reflexively interrelated with, the economic process. The fact is, however, that all economic action is a form of social action and cannot be separated from questions of status, sociability, and power (see also Mitchell, this volume). In other words, economic activity is *socially and institutionally situated*: it cannot be explained by reference to atomistic individual motives alone, but has to be understood as enmeshed in wider *structures of social, economic, and political rules, procedures and conventions*. It is the role of these systems of rules, procedures, and conventions, both of a formal and informal nature, that is the focus of an institutionalist approach to economic geography.[3]

More specifically, we may define an institutionalist approach to economic geography as an attempt to illuminate the following basic question: *to what extent and in what ways are the processes of geographically uneven capitalist economic development shaped and mediated by the institutional structures in and through which those processes take place*? Geographers have long highlighted the ways in which the forces of capitalist economic development – competition, the drive to accumulate profits, the evolution of technology and labor processes, the tendency towards the concentration and centralization of capital – generate spatially differentiated outcomes, in terms of growth, prosperity, and employment. Those forces in turn both forge and are forged by a complex matrix of institutions. Thus to understand the capitalist space economy, geographers need to understand the role, impact, and evolution of the institutions of capitalism. The implicit assumption is that although institutions are unlikely to be the sole "cause" of geographically uneven development, they enable, constrain, and refract economic development in spatially differentiated ways. An institutional approach to economic geography does not, therefore, deny the forces and mechanisms that animate our various theories of geographically uneven development. Instead it seeks to uncover the ways in which institutions shape these forces from place to place, and in so doing influence their outcomes in different places.

Institutional economic geography, as it is currently emerging, has several key themes. First, it seeks to identify *the role of the different sorts of institution* at work in shaping the space economy. Economists often distinguish between the "institutional environment" and "institutional arrangements" (see North, 1990; Rutherford, 1994). The "institutional environment" refers to both the systems of informal conventions, customs, norms, and social routines (such as habitual forms of corporate behavior, consumption cultures, socialized work practices, transaction norms, and so on), and the formal (usually legally enforced) structures of rules and regulations (for example, laws relating to competition, employment, contract, trade, money flows, corporate governance, welfare provision) which constrain and control socioeconomic behavior. The term "institutional arrangements" is used to denote the particular organizational forms (such as markets, firms, labor unions, city councils, regulatory agencies, the welfare state) which arise as a consequence of, and whose constitution and operation are governed by, the institutional environment. Institutional economic geography is concerned with both of these aspects of the "institutional regime" of the economy, and especially the interaction between them. What economic organizations come into existence, and how they function and evolve, are fundamentally influenced by the institutional environment. But equally, in the course of their operation, institutional arrangements (economic-political organizations) not only reproduce but also modify the institutional environment. How this interaction varies across space, and how it shapes local economic outcomes, are central issues of concern in institutionalist approaches to economic geography.

Second, an institutional approach to economic geography emphasizes the *evolution of the economic landscape*. By their very nature institutions are characterized by inertia and durability – these are precisely the features that provide the structured frameworks necessary for the coordination and continuity of economic activity, and which make complex exchange possible across both time and space. Institutions are characterized by "path dependence," that is they tend to evolve incrementally in a self-reproducing and continuity-preserving way (see North, 1990; David, 1994; Setterfield, 1997). As such, institutions are therefore important "carriers of history," in that they serve to impart path dependence to the process of economic development, for example by functioning as a source of increasing returns and positive externalities.[4] As the economic historian North expresses it,

> Institutions . . . connect the past with the present and the future, so that history is a largely incremental story of institutional evolution in which the historical performance of economies can only be understood as a part of a sequential story (1990, p. 118).

It is at the regional and local levels that the effects of institutional path dependence are particularly significant. Institutions are important "carriers" of *local* economic histories. Different specific institutional regimes develop in different places, and these then interact with local economic activity in a mutually reinforcing way. If institutional path dependence matters, it matters in different ways in different places: institutional–economic path dependence is itself place-dependent.

Allied to this theme, institutional economic geography also puts great stress on the *role of technological innovation* in shaping the changing fortunes of regional and local economies. Drawing on elements of evolutionary economics and Schumpeterian economics (Magnusson and Ottoson, 1997; Reijnders, 1997), economic geographers increasingly point to, and seek to explain the factors underpinning, the locally based nature of technological change and learning (Simmie, 1997). Technological change is not, as in mainstream economic models, some exogenous disembodied process, but an inherently socio-cultural activity dependent on the institutional setting within which it takes place. Geographers have begun to show

how technological innovation appears to be more easily promoted by certain local institutional environments and arrangements than by others. Certain forms of local institutional regime or "milieu" (such as the presence of a well-developed enterprise culture, supportive regulatory and promotional agencies, research-orientated universities, and locally committed financial structures) appear especially to facilitate the emergence and development of clusters of technologically based activity (Camagni, 1991; *Regional Studies*, 1999). Once established, such local technological clusters in turn generate further specialized local institutional systems, which in their turn foster further high-technology-based economic development and spillover amongst local firms. Uncovering the spatio-institutional foundations of technological innovation and diffusion is currently one of the most prominent research foci in contemporary economic geography.

Equally, an institutionalist approach to economic geography also encompasses consideration of the *cultural foundations* of the space economy. Economic geographers point to the role of cultural processes in the formation of social structures and individual identities, consumption norms, and lifestyles, all of which may influence the formation and nature of informal conventions, constraints, and norms which impact on local and regional economic development. At the same time, cultural processes, to the extent that they serve to transmit knowledge, attitudes, and values from one generation to the next, are a key factor in determining the path-dependent nature of institutional development. Cultural processes operate at various geographical levels, from the global level through the national to the local, all of which have spatially-differentiated economic effects. The rise of (Fordist) mass production–mass consumption industrial society, for example, created its own set of geographically differentiated social institutions, not least among them region-specific work traditions, union structures, and political cultures. Similarly, contemporary high-technology regions and districts are characterized by distinctive socio-cultural identities, lifestyles, and attitudes.

Finally, and critically, institutionalist economic geography focuses on the *social regulation and governance* of regional and local economies. In regulation theory, the term "regulation" refers to a historically-specific institutional regime for coordinating, stabilizing, and reproducing socioeconomic relations. Three main macro-institutional forms are singled out as being of fundamental importance: the form of monetary management, the configuration of the wage relation (that is, the socio-technical division of labor and the social reproduction of the labor force), and the form of competition (see Boyer, 1990). Geographers have extended this framework to include not only aspects of the legal–economic nexus, the apparatus and agencies of the state (both central and local), business institutions (such as employers' associations, chambers of commerce, and so on), and labor organizations (especially unions), but also the plethora of locally and regionally specific institutions of an informal nature, including local social networks, cultures, and traditions. Complex national–local institutional arrangements such as the welfare system, the industrial relations system, and the financial system, are regarded as particularly significant elements of the institutional regulatory framework of the space economy. Further, whereas under regulation theory the geographical unit of regulation is the national economic space, economic geographers also focus on local and regional aspects of regulation, both because national (and supra-national) mechanisms of socioeconomic regulation have local – and locally varying – impacts, and because regulation has a locally-specific micro-level dimension, reflecting the spatial diversity and specificity of local institutional structures.

These themes highlight the emerging richness and diversity of institutionalist economic geography. For institutionalist economic geographers, the economic landscape is more than the "market." Likewise, it is more than some "inner logic" of capitalist accumulation. It is an ongoing socially and legally instituted process with elements that co-evolve through complex forces of political intervention, cultural development, technological innovation, and path-dependence. Institutionalist economic geography is not just about the study of particular institutions and their role in shaping and regulating the spatial dynamics of capitalism, it is also a distinctive *way of thinking about* the space economy and its evolution. But herein lies the challenge: How should such an institutionalist perspective be conceptualized?

Conceptual Frameworks for Institutional Economic Geography

As Samuels (1995) points out in his survey of institutional economics, a distinctive feature – indeed, as he sees it, a key advantage – of institutionalism is its multi-perspectival, multidisciplinary character. Three main conceptual approaches can be distinguished: rational choice institutionalism, sociological institutionalism, and historical (evolutionary) institutionalism (see table 6.1).[5] These provide somewhat different interpretations of institutions, their functions and mode of change.

In the rational choice perspective, the focus is on how particular institutional environments give rise to particular institutional arrangements, that is, organizational forms, and how far and in what ways institutions serve to reduce transaction costs and increase economic efficiency. Institutions are seen as the outcome of market behavior, constantly changing through a process of "competitive selection" in response to shifts in relative prices and transactions costs (Eggertson, 1990; North, 1990). By contrast, the sociological model seeks to understand the economy as a socio-institutionally "embedded" system (Granovetter, 1985; Zukin and DiMaggio, 1990; Swedberg, 1997). Institutions are interpreted as culturally based social repertories, routines, and networks of trust, cooperation, obligation, and authority. As such, they provide cognitive frameworks or templates of meaning through which economic identities and action are legitimized. Sociological institutionalists see institutional evolution as arising out of collective processes of interpretation, and emphasis is put on the ways in which existing institutions structure and circumscribe the range of institutional change and creation. In its turn, the historical institutionalist approach focuses on understanding how institutional structures evolve over time, and how this evolution impacts on and relates to the historical dynamics of the capitalist economy. Institutions are seen as the products of historically-situated interactions, conflicts, and negotiations amongst different socioeconomic actors and groups. Stress is put on the asymmetric power relations associated with institutions, and on major periods of transformation in the institutions of economic regulation and governance.

Economic geographers have drawn on all three conceptual frameworks. Thus the idea that institutions function to reduce transaction costs has been used to help explain the emergence and development of successful local and regional economies.

Table 6.1 Alternative approaches to institutional analysis and their application in economic geography

Perspective	Main focus	View of institutions	Theoretical basis	Account of institutional change	Geographical applications
Rational choice institutionalism	Understanding how institutions generate particular organizational forms under capitalism.	Institutions structure individual actions through constraint, information, or enforcement. Institutions judged according to whether they reduce transactions costs and increase economic efficiency.	Transaction costs economics, agency theory, contract theory, property rights.	Constantly changing as outcome of market behavior (relative price changes and changes in transaction costs). Evolutionary trajectory determined by competitive selection.	Spatial agglomeration and localization of economic activity creates specialized institutions which lower transaction costs.
Sociological institutionalism	Understanding the economy as a socio-institutionally embedded system.	Institutions as culturally specific social networks of trust, reflexive co-operation and obligation which underpin economic behavior and relationships.	Network theory (institutions as congealed networks), organization theory, group theory and cultural theory.	Institutional change as process of social construction around new logics of social legitimacy or new shared cognitive maps.	The role of locally specific formal and informal networks of trust, cooperation, and knowledge transfer (''untraded interdependencies'') in fostering the local embeddedness of firms.
Historical (evolutionary) institutionalism	Understanding the role of institutional evolution in the historical dynamics of the capitalist economy.	Institutions as systems of social, economic, and political power relations, which frame the regulation and coordination of economic activity.	Eclectic, drawing on a range of heterodox frameworks, including post-Keynesian, and evolutionary economics, regulation theory, long-wave theory, and comparative politics.	Durable over long periods, built up through slow accretion, and subject to hysteretic path dependence and lock-in. Long-run evolution is episodic as result of interaction with economic development.	The nature and evolution of local institutional regimes and their role in the social regulation and governance of local economies.

Access to information is the key to the costs of transacting (the costs of locating suppliers and customers, of serving markets, of determining values and prices, and of protecting property rights and enforcing contracts and agreements). By providing sources of information about markets, prices, finance, technologies, labor, etc., by codifying the multifarious histories of past transactions and business practices, and by providing a normative framework for conducting exchange and trade, institutions help reduce costs, and hence improve efficiency, competitiveness, and profitability. Whilst many institutions are national (and even international) in scope, geographical variations in the range and type of local institutions appear to be especially important in shaping the relative performance of local and regional economies. In particular, the spatial localization of an industry or of interrelated industries in an area tends to promote the formation of specialized local institutional structures (such as local business associations and consortia, research bodies, marketing agencies, employment and training agencies, and so on), all of which reduce transaction costs and increase the competitiveness of the local economy.

However, while economic geographers now attribute considerable importance to local institutions as a source of regional competitive advantage and dynamism, they do not necessarily subscribe to the rational choice theoretical framework that underpins transactions cost institutionalist economics.[6] Instead, they have increasingly drawn on the idea of "embeddedness" from sociological institutionalism. According to Granovetter (1985, 1993), a leading exponent of the concept of embeddedness, economic institutions are constructed through the mobilization of resources through social networks, conducted against a background of constraints given by the previous historical development of society, polity, and technology. In effect, institutions are "congealed" social networks. Economic activity is said to be "embedded" in these ongoing social institutions or networks to the extent that it depends on interaction with other agents in those networks. The socio-institutional embeddedness of the capitalist economy permits actors to circumvent the limits of pure rationality and the interactions of anonymous markets. Thus, for example, product and credit markets can exist because they are based on trust in the fulfillment of future transactions. But trust is not easily manufactured. When and where economic activity is tightly connected with dense social relationships and networks based on family, tradition, skills, political culture, religion, educational ties, etc., trust can be used to build useful and efficient economic institutions. Considerable evidence now exists demonstrating that many organizations, public and private, operate effectively precisely because they are embedded in, and incorporate, these social networks.

Within economic geography, the "embeddedness hypothesis" argues that trust, reciprocity, cooperation, and convention have a key role to play in successful regional development (see Storper and Salais, 1997). These social relations require community-like structures, associations, and networks for their existence. Suitably institutionalized, that is subsumed within local business and work cultures and routines, these social relationships serve to reduce uncertainty amongst local economic actors by providing tacit or collective knowledge, by disseminating strategic information, by sharing risks, and by establishing acceptable norms of competition. Yet, although most economic geographers would agree on the importance of such localized interactions among economic actors for successful economic development, the concept of embeddedness nevertheless remains under-theorized. In sociology, it is now recognized that Granovetter's original notion of embeddedness in social networks is only one type of embeddedness (Swedberg, 1997). There is also "political embeddedness" or the fact that economic action is always set within a specific context of political structures and conflict. Then there is "cognitive embeddedness," which has to do with the systems of meaning within which economic activity is conducted. And, finally, there is "cultural embeddedness," the embeddedness of economic action within specific cultural systems of ideological and normative beliefs. Likewise, different types of regional economic development tend to foster and depend upon different types of local institutional embeddedness. Thus the sort of socio-institutional embeddedness that develops in an area based on highly specialized, large-employer-dominated activity (say, a coal or steel community) will be very different from the pattern that is likely to emerge in an area of small-firm-based, flexible specialization (of the sort found in many of the Italian industrial districts, for example; Amin, this volume). At present we know little about how and why the process of embeddedness differs between different regional and local economies.

Furthermore, while the idea of the embeddedness of economic activity in local institutional structures provides some important insights into the differential patterns of economic activity and performance across the space economy, it says relatively little about the nature of institutional change and how that change influences the evolution of the economic landscape. How are local institutional structures built up, and how do they change? How are new institutional structures created? What happens if institutions prove resistant to change? What are the implications of these processes for the regulation and embeddedness of local economic activity? Historical institutionalism provides some concepts and ideas for addressing these questions.

Two of the weaknesses of old historical institutionalism (of the original Veblenian tradition) were its "structuralism," that is, its prioritization of institutional structures over action (human agency), and the consequential tendency to attribute the existence of institutions to their history, as if this in and of itself explains their origins and persistence. Recently, however, some new conceptualizations have appeared which go beyond this limitation, concerning in particular the causes and consequences of periodic transformations in institutional structures, and the tendency for some institutions to persist, despite being no longer conformable with or conducive to economic development. Incremental evolution is only one way in which institutional change occurs. Much more significant is the tendency for institutional structures to undergo major episodic reconfigurations. These periodic upheavals can arise because institutions themselves ossify and become "sclerotic," thereby hindering economic growth and development (see Hodgson, 1989).[7] Eventually, pressure will accumulate to reform or abandon particular elements of the institutional environment or particular institutional arrangements. Alternatively, economic developments may "outgrow" particular institutions, rendering them obsolete or inefficient, again stimulating the search for new institutional forms and structures more appropriate to the new economic conditions (or at least as these are perceived). Institutional evolution thus consists of periods of relative stability (or slow change), punctuated historically by phases of major transformation.

Setterfield (1997) has combined both of these aspects of institutional evolution – slow, incremental path-dependent change, and occasional historic transformations –

in his theory of "institutional hysteresis." This approach focuses on the complex interaction between institutions and economic activity in a way that recognizes the importance of current behavior in shaping future institutions, but which at the same time takes account of the extent to which this behavior is constrained by pre-existing institutional structures. The distribution of power amongst socioeconomic actors and groups is central to the nature and outcome of this interaction. Economic pressures for institutional change arise continuously. Provided these pressures are not major or crisis-making in nature, they are counterbalanced by the forces of institutional durability and inertia. But, eventually, when economic trends build up to the point where existing institutional structures prove dysfunctional to economic growth and development, then those structures will come under intense scrutiny, and economic and political agents will search for a new institutional fix. The process of transformation and its particular outcome may be consensual in nature, but is much more likely to involve conflict between different power groups (especially capital and labor) and between old institutions and new. Some old, inefficient institutions may persist, and even new institutional structures are likely to be based – at least to some extent – on pre-existing ones. By institutional hysteresis, then, is meant a process in which current institutions influence the nature of current economic activity, which in turn influences subsequent institutional forms. Integral to this model is a view of institutional evolution that foresees periods of institutional stability (deriving from the short-run exogeneity of institutions) punctuated by phases of substantial institutional change (reflecting the long-run endogeneity of institutional structures to the economic system).

The task for economic geographers is to conceptualize the spatial dimensions of this hysteretic process, not simply in order to determine whether and in what ways institutional change may have different effects on different regional and local economies, but also to determine how far and for what reasons the process of institutional change itself is likely to vary geographically. In this context, one of the notions that economic geographers have sought to explore is that of "regional lock-in," the situation in which a local institutional regime gets "stuck in a groove." Because of a particularly strong degree of "interrelatedness" (mutual interdependency, entrenched vested interests, etc.) within and between its constituent elements, a local institutional regime may resist change, and in consequence may hinder economic development. As Grabher (1993) highlights in the case of old industrial regions (he cites the example of the Ruhr in Germany), strong local ties to once favorable but now outmoded institutions can become a major structural weakness, contributing to economic sclerosis and decline, and holding back the much-needed process of economic restructuring and renewal. In other areas, by contrast, typically those less dependent on old, heavy, specialized industry, local institutional structures may be much more "flexible," and hence adapt more readily and painlessly to new economic circumstances. In other words, different forms of regional development may give rise to regional differences in institutional hysteresis. Institutional transformation thus has a specifically local dimension.

As yet, however, local processes of institutional transformation remain poorly theorized. One of the key agents of institutional change, of course, is the state. State-led institutional change can take various forms, involving the reform of the legal–regulatory environment of economic activity (for example, changing the nature of competition law, employment law, etc.); major shifts in policy programs (such as changes in industrial policy, or monetary policy); changing the legislative framework governing the form and operation of institutional arrangements and other economic organizations (such as corporations, and labor unions); and reconfiguring the regulatory structures and apparatus of the state itself (for example, setting up new regulatory institutions, and changing the division of policy responsibilities between central and local government).

Unraveling the specific effects of these different forms of state-led institutional change on individual regions and localities is a complex issue. The pressure for state-instigated institutional change may itself have particular geographical origins. Thus, in some instances the impetus may be the lobbying by business or labor in particular regions, especially those where political support for the government is concentrated. In other instances, it may derive from an ideological assault by the government on what are seen as outmoded or dysfunctional institutional structures in certain regions, structures that are deemed to be impeding not only the economic prospects of the regions in question but also the economy as a whole. What is almost certain is that, because of the regionally differentiated nature of the national economy, state attempts to change institutional structures are likely to generate conflict between regions and the political center. In the UK during the 1980s, for example, the Thatcher government's strident recasting of employment law, curbing of union power, and privatization of public sector activities found favor in the more prosperous, less unionized and pro-Tory south and east areas, closely linked into and benefiting from the dominant economic institutions centered in London, but were greeted with hostility in the less prosperous, highly unionized, and pro-Labour north. Such conflicts between central state and regions over institutional reform may influence the eventual path that such reforms take.

"Institutional Thickness" and Regional Development

In the course of applying these various theoretical perspectives on institutions, economic geographers have sought to construct their own, specifically spatial concepts. Two of these stand out, namely the notions of "institutional spaces" and "institutional thickness." By "institutional space" is meant the specific geographical area over which a given institution is constituted and has effective reach or influence. On the one hand, we can define a hierarchy of institutional spaces ranging from supra-national institutional spaces (such as internationally agreed rules of competition, trade, and monetary relations), through national institutional spaces (such as each nation's welfare system, its financial system, its employment laws, property laws, and national labor unions), some of which may incorporate sub-nationally differentiated structures, to regional and local institutional spaces (such as local state structures, locally specific legal arrangements, local employers' associations, local labor union cultures, and other local social or economic traditions and conventions). The "nestedness" – that is, the combination, interaction and mode of articulation – of these institutional spaces varies from place to place.[8] Thus, as we move from one area to another within a national economic space, not only may the specifics of institutional nestedness change but also the interactions within that ensemble. It is in this sense that we may speak of different "local institutional regimes."

National-level differences in institutional regimes are now widely acknowledged to be a key factor in explaining national differences in economic organization, development, and growth dynamics (see, for example, Berger and Dore, 1996; Rogers Hollingsworth and Boyer, 1997). There is not one model of "capitalism," but many national models. In each nation, capitalism is embedded in different nationally specific institutional structures – differences that make "US capitalism" different from "UK capitalism," and these in turn different from "Japanese capitalism," and so on.[9] Differences in national institutional regimes underpin the distinctions economic geographers make between different national versions of post-war Fordism (see, for example, Tickell and Peck, 1995). But, equally, important differences in institutional regimes also exist between regions and even localities within national economies. Economic geographers have attempted to capture these differences in their use of the concept of "institutional thickness."

Amin and Thrift (1995) define "institutional thickness" in terms of four key constitutive elements. The first is a strong institutional presence, in the form of institutional arrangements (firms, local authorities, chambers of commerce and other business associations, financial institutions, development agencies, labor unions, research and innovation centers, and various voluntary bodies). The second is a high level of interaction amongst these institutions so as to facilitate mutual and reflexive networking, cooperation, and exchange, thereby producing a significant degree of mutual isomorphism amongst the ensemble of local institutional arrangements. Thirdly, institutional thickness depends on there being well-defined structures of domination, coalition-building, and collective representation in order to minimize sectionalism and inter-institutional conflict. This leads, fourthly, to the notion of inclusiveness and collective mobilization, that is, the emergence of a common sense of purpose around a widely-held agenda, or project, of regional or local socioeconomic development. The specific local combinations of these elements define the degree and nature of local "institutional thickness" or "integrity"

> ...which both establishes legitimacy and nourishes relations of trust...[and] which continues to stimulate entrepreneurship and consolidate the local embeddedness of industry... [W]hat is of most significance here is not the presence of a network of institutions per se, but rather the process of institutionalization; that is, the institutionalizing processes that both underpin and stimulate a diffused entrepreneurship – a recognized set of codes of conduct, supports and practices which certain individuals can dip into with relative ease (Amin and Thrift, 1995, pp. 102–3).

In this way, by seeking to define regions and localities in terms of situated institutional capacities, the concept of "local institutional thickness" provides a framework for underpinning the idea of "locality as agent" (Cox and Mair, 1991).

However, although now widely invoked by economic geographers, the concept of "local institutional thickness" is not without problems and limitations. Although highly suggestive, the term still lacks definitional and theoretical precision (even in the work of Amin and Thrift). Neither case-by-case examples nor somewhat tautological definitions are substitutes for a general conceptualization of how "institutional thickness" emerges at the regional and local level and what precise role it plays in regional economic development. If the key process is the mobilization and alliance of local institutions around a common agenda, what stimulates this mobilization, and who sets the agenda? Does local institutional thickness depend on consensus building and negotiation amongst diverse local interest groups and institutions, or is it most likely to develop and work best where there is a dominant elite or leading interest group? In particular, why does "institutional thickness" develop in some areas but not others? And how, exactly, does local institutional thickness promote local economic development and prosperity? Further, how do we explain the fact that some very successful regions do not appear to be underpinned by a highly integrated and coordinated matrix of institutions? An additional issue is that by focusing on specifically local institutions, the concept tends to downplay the significant role of the central state, both as a multi-scaled set of institutional forms in its own right and as a central influence on the formation and functions of other, national and local, institutions. As noted above, no matter how committed local institutions are to a particular regional agenda, if the latter runs counter to national-level economic policies and objectives its chances of being implemented and succeeding are very much reduced. There is a real need to address these various issues, since the notion of "institutional thickness" has rapidly moved from being an analytical concept to a prescriptive one, in the sense of being seen as a necessary prerequisite to regional restructuring and regeneration, and particularly as a policy tool for stimulating new regions of high technology and innovation-based industrial development.

Contemporary Institutional Transformations and the Space Economy

This increasing focus on regional and local institution-building is especially apt at the present time. At all geographical scales, from the international to the national and the local, formal and informal institutions are being challenged, abandoned, and reconfigured. We are witnessing an historical wave of institutional change and experimentation, and, as part of this process, a spatial rescaling of institutions and their role in economic coordination, regulation, and governance. While regulation theorists see this process as marking a shift from a Fordist institutional framework to a new, post-Fordist institutional system, American "social structure of accumulation" theorists see it more as marking the passage from one institutional "long wave" (life cycle) to another. Still others see it as part of an historic move to a new "reflexive modernization" phase of capitalism (Beck et al., 1994). Whatever the interpretation, it is clear that by the late 1970s the institutional forms and arrangements that had supported the post-war boom in capitalist countries had become incompatible with, and no longer capable of providing a stable environment for, economic accumulation and competition. For many neoliberals, the institutions of post-war capitalism had ceased to be efficient, and were themselves largely to blame for the economic slowdown that had swept through world capitalism during the 1970s. The solution, therefore, was to "de-institutionalize" and socially "dis-embed" the ailing economy, so as to release a new wave of "free enterprise." Correspondingly, over the past two decades states have restructured their welfare systems, privatized public sector activities, de-regulated financial markets and labor markets, and sought to promote a new culture of self-interested individualism. The impact on the economic landscape of this assault on post-war institutions has been profound, leading to a marked increase in social and economic inequality within and between places.

But even though the neoliberal assault of the 1980s and 1990s has contributed to the contemporary transformation of institutional forms,[10] there are also fundamental forces at work within capitalism itself which are driving institutional change, particularly globalization and the expansion of the post-industrial information economy. Both of these are undermining the relevance and significance of old (modernist) institutional structures, and fueling the search for new ones. Globalization poses real challenges for institutions at all spatial scales (Webber, this volume). At one level, globalization is argued to be eroding the authority and economic impact of the nation-state and other national-level institutions. At another, it is seen as a "de-localizing" force, disconnecting and dis-embedding economic activities from their local socio-institutional contexts and frameworks, whilst simultaneously exposing local economies to the increasing uncertainties associated with global competition and globally mobile capital. And alongside and intersecting with globalization, the advent of a new "information age," a new post-industrial mode of economic development and social organization, signals the end of industrial capitalism as we have known it, and of the various institutions and traditions that historically have formed part of industrial society.

Thus, by virtue of its own inherent dynamic, industrial capitalism appears to be refracting back on and undercutting the very basic social structures, traditions, class identities, and local contexts that it had created and on which it depended. These traditions and institutions have now become the focus of reflexive interrogation and reconfiguration in the face of the increased autonomy and fluidity of the new globalized, information-based economy. There is no longer a "fixed landscape" of traditions and institutions structuring economic and social relations.

This does not mean the end of traditions and institutions, however, but rather a new phase of institution-building. Globalization may be emptying economic spaces of their pre-existing industrial activities and accompanying social institutions, but it is simultaneously relocalizing economic activity and thereby creating opportunities for new institutional forms and structures. Economic geographers have drawn attention to the "rebirth" and "re-emergence" of regional and local economies as nodes within this new globalized capitalism (see, for example, Storper, 1997; Scott, 1998). Many of these new local and regional economies are beginning to see themselves as socioeconomic and institutional entities. In fact many nation-states are themselves decentralizing and devolving their institutional and political structures down to regions and localities, partly in an attempt to "flexibilize" their space economies, partly in recognition of the locally variable nature of economic development, and partly to curb state expenditures. The localization of workfare in the USA, and the creation of local Training and Enterprise Councils and, more recently, Regional Development Agencies, in the UK, are examples of this institutional decentralization.

At the same time, "bottom-up" institution-building, networking, and experimentation is gathering pace at the regional and local scales, involving, for example, local economic development consortia and partnerships, strengthened local chambers of commerce, the emergence of local enterprise unionism, and a myriad of community development and employment organizations. The growing focus on learning and reflexivity (Storper, 1997) and the building of new forms of trust and cooperation (Sabel, 1993) as the foundations for successful regional development has also highlighted the emergence and policy significance of new institutional models of regional economic regulation and governance, including the so-called "associational economy" (Cooke and Morgan, 1998), the formation of a dense integrated network of collaborative social, economic, political, and civic institutions (see also Amin, 1995, 1999; Hirst, 1997). Boyer and Rogers Hollingsworth (1997) see these various local experiments and developments as marking a shift from a post-war Fordist institutional structure dominated by national-level forms to a much more complex, and spatially dispersed structure in which regional and local institutions are assuming an increasingly formative role in shaping economic activity. Similarly, Regini (1991) identifies the rise of this new "local institutionalism" as a central element of what he sees as a shift away from macroeconomic regulation to a more decentralized regime of micro-socio-institutional regulation.

How these new local institutional forms intermesh and interact with the changing structure of national and supra-national institutions is a point of some contention. Likewise, whether the increasing complexity of institutional spaces and local institutional nestedness – and the new "local policy heterodoxy" that is emerging as a consequence (Storper, 1997) – will enhance or impede the ability of regional and local economies to adapt to and compete in the new globalized capitalism is also a critical question. Institutional economic geographers, therefore, not only have a unique opportunity to observe a major wave of institution-building and experimentation actually underway, but also, hopefully, to contribute to the debates and discussions informing this process.

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Endnotes

1. See Boyer (1990) for an exposition of regulation theory. In US academic circles, the "social structure of accumulation" approach (see Kotz, 1994) bears a close similarity to the "mode of regulation" concept used by regulation theorists. The central idea of both is that crucial features of the long-run development of the capitalist economy are the product of the supporting and coordinating role played by social institutions.
2. I am certainly not suggesting that only institutional economic geography is guilty of definitional and conceptual "fuzziness." Unfortunately, the same problem is characteristic of much of contemporary economic and human geography as a whole.
3. Within economics, the term "institution" has some ambiguity. A typical definition is that given by Rutherford (1994, p. 182): "An institution is a regularity of behavior or a rule that is generally accepted by members of a social group, that specifies behavior in specific situations, and that is either self-policed or policed by external authority". There are numerous variants and inflections of this definition. Thus, according to Hodgson (1988, p. 10), an institution is "a social organization which, through the operation of tradition, custom or legal constraint tends to create durable and routinized patterns of behavior". Similarly, the "new" economic historian North (1990, p. 3) refers to institutions as the "self-imposed constraints that shape human interaction . . . Institutions reduce uncertainty by providing a structure to everyday life".

4. In recent years, the notion of "path dependence" has attracted considerable attention within economics. There are several mechanisms making for path persistence in the economic landscape over time. Economists working in the "new geographical economics" (such as Krugman, 1991; Arthur, 1994) stress the role of increasing returns to industrial localization, agglomeration economies which generate a self-reinforcing tendency for particular activities to concentrate in particular areas (see Martin, 1999 for a survey of this literature). As North (1990), Setterfield (1997) and others have shown, institutional frameworks are another important source of the externalities that shape local economic path dependence.
5. For an excellent review of these three forms of institutionalism, and their respective strengths and weaknesses, albeit from a political science vantage point, see Hall and Taylor (1996).
6. For a critique of the rational choice foundations of the "new" (transactions costs) institutionalism in economics, see Hodgson (1988) and Rutherford (1994)
7. Like other aspects of the economy, institutions may be viewed as having "life-cycles," in the sense that as they "age" they develop features that render them increasingly rigid and less efficient.
8. For examples of the idea of institutional spaces and their local significance see Martin, Sunley and Wills (1996); Jones (1999). The term "spatial nestedness" of institutions comes from Boyer and Rogers Hollngsworth (1997).
9. For this reason, theories about economic development, and about regional and local economic dynamics, do not necessarily travel well between different national contexts. At the same time, different cultural forms of capitalism are not necessarily confined to their respective national territorial spaces. One thinks here, for example, of overseas Chinese business communities with their own distinctive sets of institutional practices, customs, and conventions.
10. A process that continues, with the current Anglo-American shift to so-called "Third Way" politics aimed at creating a new institutional landscape that avoids the over-centralized state system of the post-war period on the one hand, and the excessive ideological pre-occupation with free markets and individualism of the 1980s and 1990s on the other.

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