DISCUSSION

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# What Went Wrong with Economic Geography?

## Beginnings

How did a subject that held an extremely strong position at Scandinavian (including Finnish) business schools (B schools) in the 1950s, if only at the introductory level, manage to fall so low that its continued existence there is questioned? And perhaps it is even worse than that because, in some quarters, it has simply disappeared. That happened during a period when words such as "internationalization" and "globalization" gained cult status. They were not empty words either, and there is no need to fall upon UN statistics to prove it. Had we who were in charge been business executives, we would have been quietly and unceremoniously fired. But we were academics, protected by our tenures, and the show could go on and on. So, what actually happened and why did it happen? Can the sick still be saved or is the illness terminal? The answer naturally depends on the spokesperson, and what follows is the author's personal opinion based on his own experience. There are no diaries. No written sources have been used. It is all from memory. It has a strong Scandinavian bias but, since certain parallels can be drawn with the USA (but not the UK), it is written in English. The central idea of this presentation is that Geography is the science of location and that it discusses (1) spatial differences, (2) spatial processes, and (3) spatial interaction. Everything that follows rests on this foundation.

The idea that Economic Geography (EG) is a subject central to the education of future managers and executives originated in a time when industrialized countries imported raw materials from the rest of the world and exported their manufactured products in exchange. Plants were owned in other industrialized countries but seldom elsewhere. Foreign direct investment was primarily to develop raw material sources, mines and plantations. The connection with primary production was intimate and that suited EG very well because its roots are



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in Unified Geography where the interaction of Man with her physical environment is a central topic.

This post-war world was poor, compartmentalized and nationalistic. Personal contact with foreign colleagues was difficult and sporadic. The faculty had few tangible resources for its job. Student lodgings were inferior. There were few textbooks of high, or any, standard. In this somber world, EG was like a ray of sunshine. Its message was tangible and international, feeding the imagination. When the professor started a class about Australia, the auditorium was filled to the last seat – and so it remained, lecture after lecture. The wheat trade with Australia had vanished, its wool arrived through agents, and few could foresee its current role as a tourist destination and global source of iron ore and coal. The irrelevance did not matter. Exotics were enough. International orientation was reflected in EG textbooks which were outstanding for their time. The first American textbook came in the third year. EG was exceptional in that respect; foreign textbooks normally became an issue during graduate studies. At the graduate level, everything in EG was in Danish, German or English. The tough requirements gave a tremendous adrenaline kick.

## An easy subject?

EG's image did not tally with these facts. It was considered an easy subject. Fellow students sometimes came with subtle suggestions that time might be used better in studying something else – Economics for example. It was not just students. A decade later, when the former student had become a junior instructor himself, a senior professor came forward with the same recollection – that it was an easy subject, far too easy. In a way that was true. It was unusual to get rejected at an examination, when the percentage could be one-third elsewhere. The questions did not address textbook footnotes or scholarly disputes. They were about contemporary issues and offered wide vistas. Everybody could write something about them. Perhaps that reflected the professor's extensive travels in foreign countries. Or perhaps he was too much of a gentleman to harass students. He could have emphasized theory had he wished to. Hints in that direction included Köppen's climatic zones and Huntington's theory about human climatic energy. The former has stood the test of time rather well, the latter has not. He could have built on the Central Place Theory (CPT), which had been applied to Finnish conditions and which emerged during one seminar. He could have commented upon Hägerstand's recent PhD thesis about the spatial spreading of innovations. He did not. Perhaps these themes were considered, wrongly, too advanced for undergraduates. Perhaps they were saved for the postgraduate level. Unfortunately, there was no education at that level. Not in any subject.

The image that EG is an easy subject is very persistent. It resurfaced six months ago in an innocent comment by a fellow professor. What could be the background of this image – the very human need to establish a pecking order, or the shortage of theoretical thinking in EG? Maybe both. The quest for a good theory has haunted EG for decades. In search of it, some scholars have turned to philosophers. But EG is not a philosophical science. It is a very down-to-earth subject, with its roots in discoveries. With some exaggeration, geographers are at their best when they put on a wind breaker and rubber boots and go where the action is. One tough female geographer negotiated unmapped, mosquito-infested, muddy jungle trails

and waded in waist-deep flood water to get some crucial interviews. That attitude suits a B school very well. Great business leaders are not philosophers. They are men and, increasingly often, women of action. Why should they be educated by philosophers?

The image of EG probably originates as much from the work most geographers do than the inherent character of the discipline. Two examples will shed light on the matter: field trips and atlases. The field trip is a sacred tradition of geographical conferences. Participants make a guided tour in a city or rural area, or visit plants. It is not tourism. It is a need to establish a tangible idea about circumstances, to get a holistic idea, to see people in their proper surroundings, something which is difficult to express in words and almost impossible in figures. Seeing people in their proper context is that something which makes everything tick, or does not, and makes a real difference. It is the same at the student level. A class in International Business makes a study trip to London. They visit exchanges, banks, law courts and exhibition halls, listen to lectures, observe the dress code, behavior and traffic, experiment with eating places and night life. For some, it will be their future working environment, for others it will part of their contact surface. Most of it is not available at home. It is a great learning experience. When 200 students participate, the organizational effort is considerable, and the hospitality of the hosts beyond all praise.

The same idea has a direct business application. A former geography colleague came to say hello at a conference in Los Angeles. He had swapped academia with retailing, was employed by Target, an upscale discounting company with hundreds of stores, and was now on a buying spree. The task was to evaluate another discount chain in southern California and Arizona, and make a recommendation to the board, to place a bid or not. The team hired cars and spent the next two weeks driving around, observing store neighborhoods and competitors, and walking the 40-odd stores. It was a deal, most of the stores were kept, the rest sold or closed. Today, Target has nearly 1,000 stores, from coast to coast.

This need to make field observations is a legacy from time immemorial, when ancient Phoenicians traded tin on the Cornish Peninsula, when merchants traveled the Silk Road through Asia, when America was "discovered", when East Indiamen steered toward Calcutta and Guangzhou. With perseverance and luck, one could make a real fortune. During the empire-building era, membership of the Royal Geographical Society in England gave great status. The activity was based on adequate maps, and it generated more and better maps. Contemporary atlases continue this tradition. They can be plain popularization of scientific knowledge. They can have an administrative or business purpose. They can be part of a guided missile system. The latter are not produced at B schools, possibly at standard universities, more likely at technology colleges, and most likely at research institutes. But the staff actually doing the job can very well come from a geography department. Field observation is far less trivial than it may appear at first sight.

The easy-difficult scale is equated in many quarters with the depth of numerical analysis. Much geographical analysis is conducted by people who have migrated from other sciences. There have been distinguished statisticians and physicists who have been attracted by geographical problems and occupied geography chairs. Their work is published in special-

ized journals which may not be recognized as geographical. They are hampered by the availability of data, more accessible in aggregate than (geographically) disaggregate form. Interest in interaction means that the disaggregation is raised to the second power. No wonder that the geographical analyst must often fall back on raw data or collect them her/himself. The protection of respondent integrity and business secrets becomes an issue. The sheer workload confines the effort to a cross-sectional analysis and a restricted area. Results will vary with the size of the observation unit (area) selected. They do the same in Econometrics, of course. Phenomena that appear simultaneous in annual data become recursive in monthly data and call for a modified model. But the econometrician has the great advantage that the month of February is the same all over the world. The geographer's area unit below country level is not, which discourages generalization.

This quest for numerical literacy surfaces at regular intervals. The current drive comes from the Massachusetts Institute of Technology where Krugman, an economist, has launched it as 'New Economic Geography'. The previous variants were dubbed 'Regional Science' by Isard at the University of Pennsylvania and 'Regional Economics' by a group of European economists. Both variants are alive and well. The basic quest is the same: integration of Economics and Geography, interaction of regional economies. Only the geographical roster has expanded from the national to international level. If that bandwagon is joined, the whole repertoire of EG will have to be revamped. Economics, Mathematics and Statistics will take the front seat. Traditional Geography will disappear. Most of the faculty will have to be replaced. It can be done by fiat. But it will be a traumatic experience. We shall not speculate on that further. Within Unified Geography, both its halves – Physical and Human – should be recognized. Scholars specializing in the former must have a higher level of numerical literacy because the laws of Nature are more stringent than the laws of Man. But these individuals never come to a B school.

The fallacy that EG is an easy subject is definitional. Geography has always one dimension more than B school subjects in general. It operates in two-dimensional space, or three-dimensional if we wish to emphasize height, too. Other B school subjects work mostly in the time dimension, or are essentially dimension-less. Marketing is a partial exception because customers are spread over a surface and it can be fatal to overlook that. But we can wonder whether this sector of marketing would not be better classified as EG. When geographers combine time and space, they get Time–Space Geography. The approach has always been there but it was Hägerstrand, again, who formalized it into a theory: the human action radius depends on the time budget available. The theory has been applied mostly in the local context. The local time applies and its length is fixed, 24 hours from noon to noon. When we move between continents that does not hold any more. Time remains locationally fixed when we move along longitudes. It does not when we move along latitudes. We seem to lose time when we move against the sun and gain it when we move with the sun. The loss or gain is more rapid at high than low latitudes. We move more often laterally, even round the globe, than longitudinally because the bulk of the land masses is in the northern hemisphere and because polar areas have so little economic activity. Airlines and express mail companies adapted their

schedules to this framework long ago. With the coming of electronic communication and real-time payment systems, the importance of time–space has increased dramatically. It has been discussed in the geographical literature. If there must be an intellectual pecking order at B schools, EG has no reason to accept the role of an underdog.

## From past to present

Why then, if EG is such an outstanding subject, has it been unable to maintain its position? The product mix must have something to do with that; perhaps it has been out of step somehow with the demand at large. And because product mixes and their consumers do not come out of thin air, we must look at the people involved and the organizations they belonged to. The Scandinavian university system has basically a dual character, in line with Continental (German, French, Austrian, Russian…) practice. Technology and business colleges/schools are independent establishments originally supervised by the Department of Trade and Industry, whereas universities are under the aegis of the Department of Education (DE). The curricula partially overlap, both offering degrees in Economics, Law, Mathematics and Geography, for example. The B school faculty in these subjects was earlier recruited from universities because its own graduates preferred to write their theses in Business Economics (Accounting, Marketing, Administration). This duality partially disappeared in the 1970s, when many small B schools were consolidated with local universities and the DE took over everywhere. The duality had practical relevance. It could best be sensed in the student cafeteria. At a B school, the talk was about money in its various forms, the next summer job, the possibility of getting practice abroad, the future salary. At a university, culture and politics were popular topics.

The merging of university and B school geography departments, where it happened, created problems. When water is mixed with oil there will be no explosion. But when one stops stirring the mixture, the substances form two separate phases. So it was, and so it has remained. University graduates normally dominated the product mix, irrespective of department, thanks to the dearth of doctoral theses in EG at B schools. Many had taken classes in Sociology, possibly also in Economics and Mathematics. Later on, Geographical Information Systems (GIS) came into the picture. The influence of Physical Geography could be sensed, too. Few, if any, had a background in Business Economics, which came increasingly to dominate the B school scene. That dominance, in turn, reflected contact with American B schools, integrated with universities as faculties and focused on strictly economic sciences. Since American B schools did (and do) not have EG, it was not possible to receive impulses from there in the way the economic faculty did. That left the field open to ideas that grew out of domestic soil.

Having been a subservient part of the B school curriculum, EG now started to assume the features of an independent subject. An essential part of the new product mix was the Central Place Theory. It seemed to offer a logical explanation of how economic space was structured, an interesting theoretical question. At last EG had got a theory of its own. Or rather another theory, because Hägerstrand's ideas about the spatial spread of innovation were also on the market. On closer inspection, the CPT had been conceived by German economists, but they were happily adopted as family mem-

bers. If the class about Australia had given an adrenaline kick, this was a revelation. The effect was similar elsewhere. American geographers, in particular, seemed to be overjoyed. Their applications for research grants at the National Science Foundation had faced resistance because "geography was not a science"; it was too descriptive. Now geographers were able to overrule such criticism. This funding crisis has left a lasting imprint. It is virtually impossible to publish anything in a major American geography journal unless the case is supported by some kind of theory, your own or someone else's. The result is a proliferation of "theories" of widely varying quality. Geography has become snobbish.

The core of the new theories was numerical. If one wanted to use them, verbal argumentation was not sufficient. One had to reason numerically – perhaps not in a big way, but mentality had to be changed. Mathematics and statistics consequently made serious entries into EG. The boom lasted about a decade, to the mid-1970s. Then critical voices became more frequent and louder, it was difficult to verify the CPT in practice. Objections were brushed aside, though, because the theory had found a use in regional planning, the fashion of the day. Such planning was nothing new. City authorities had practiced it for centuries but now it was adopted at all geographical levels with strong political support. It was an ideological crusade for a more organized, better society. Its dominance by architects and engineers gave way to a 50/50 mix of physical planners and social scientists. Academic institutions established curricula to meet the anticipated demand for experts. Psychological factors fanned the enthusiasm. Contrary to common belief, academics are not at all interested in living in an ivory tower. They crave societal influence and recognition. This was a golden opportunity and many an energetic and strong-willed geographer made full use of it. B school leadership jumped on the bandwagon. Among its best tools was the EG department, which was made to understand where the priorities lay.

But reality was incongruous with vision, as both the oil shocks showed. Economic growth first stopped, then declined. When it resumed again, it was at a much slower rate than previously. Environmental problems received general recognition, and priorities shifted from unbridled to sustained growth. There was less construction and, consequently, less planning. The faculty faced reduced classes, and the most outgoing of them switched to tourism and the hospitality industry in general. Strictly professionally, they could have selected real estate as well, but tourism was closer to their hearts. Many a rural community saw in tourism a solution to sagging employment, and mansions were being converted into weekend and conference hotels. Larger communities, also engaged in event tourism, were the next step, after which the trek continued abroad, to sun beaches, golf courses and cultural metropolises. The program was launched in cooperation with Business Economics which provided the economic expertise. The student response was excellent, and the future looked bright until terrorist activity and depression curtailed people's lust for travel. The vision of tourism as a departmental pillar had to be mothballed.

The regional planning spree took a good part of EG energies from the mid-1960s to the mid-1980s. With hindsight, it is obvious that we took our eyes away from the crystal ball. For this author the eye-opener was a DBA thesis about the internationalization of Finnish com-

panies, their entry sequence to different countries, and the ensuing saturation. The word "geographical" was not in evidence but the message was clear enough. If the CPT had been a revelation, this was a bombshell. Small talk with the author revealed names never heard before: Vernon, Hofstede, Hörnell, Vahlne. How could we have missed it all? We had been on the wrong track for a decade and now we were out. – although it depended, depended very much, on how the mission of B school was understood and what content was given to the words "economic geography". The original mission of B school as a cradle of entrepreneurship, and world trade had blurred through increasing state interference, the administered trade with the Soviet Union, and the political difficulty of participating fully in liberalizing world trade. The interpretation of EG could also be controversial. Most human activity has an economic dimension. Good things such as housing, schools, hospitals, theaters and roads cost money to build and maintain. If that can be done economically, more of the same and of higher quality can be offered. It is fully legitimate that a geographer addressing these topics adds the epithet "economic" to her/his job title. But the money to do that must come from somewhere. There must be activities that generate more resources than they use. They make money. A geographer interested in this side of the coin is undoubtedly also an economic geographer. This author would like to add "of the B school type". Or to take a fresh name, Business Geography, Corporate Geography, Managerial Geography. It is difficult to convince university geographers of the difference. It may be plain defense of territory. There are jobs at stake, and if the idea takes hold, the kit bag of Physical Geography with Sociology may be of the wrong type, but not entirely, because physical environment plays a major role in mining, agribusiness, forest industry and property insurance, for example. As does Sociology (and Anthropology) in corporate administration. Economics, however, would be preferable, and the key to the game is Business Economics which dominates the B school scene.

But let us return to the CPT and innovation spread, and the world that followed them. It was the world of electronic computing. Not that the CPT and innovation spread were a precondition of computers. Both arrived at about the same time. Computers enabled the handling of large amounts of numerical data and opened vast views. Problems that had been beyond reach until then became tractable. Geographers, naturally, wanted to participate. Some of it was plain froth, application of standard statistical and mathematical techniques ill-suited for the problems at hand. The sustained impact grew out of handling areally spread data, the Geographical Information System (GIS) of our day. In the B school context, the foremost application appeared to be in retailing. Population is spread areally, it is heterogeneous as to income and other social characteristics, and its supply with goods and services requires a network of outlets. Trade areas can be defined through interviews, formalized by modeling, and the information used for updating and complementing the existing network. The techniques are well understood and the emphasis is on the accuracy and rapidity of estimates because opportunities to lease good sites and buy up existing chains come and go rapidly. The fieldwork in southern California (see above) was a complement to such techniques. Population data may be outdated and GIS does not tell us anything about store interiors, for example.

Since consumer behavior varies markedly in different retail segments, the basic theme has numerous variations.

The practical question in our context is whether GIS can be the foundation of a viable geography department. The idea works when the department is large and also comprises Physical Geography. With plain EG and retailing the base may be too narrow, even in large countries. It is possible to pinpoint 2–3 geography departments at US and Canadian universities offering strong Retailing Geography with GIS. These countries have 50–55 urban agglomerations (SMSAs) of at least one million inhabitants, not to speak of rural areas, and their continuous monitoring requires much work. It can still happen that a retailing executive tells a job applicant in the correct age brackets: "Go to Z university, enroll in the classes offered by X and Y, get good marks, and come back to me." The classes are in Retailing and Urban Geography. One must understand, then, that a site recommendation to the board is not made by a solitary geographer but a 5–10 person team in which she/he is a member. The Scandinavian markets are too small for that depth of specialization, although the internationalization of their chains holds certain promise. One former student was invited to become the manager of an IKEA store in Russia (he declined); another screened three sites for IKEA in Shanghai, her home town, of which one was selected; a fellow geographer advised Volvo about suitable sites for car dealerships in Rome. But specialization in GIS also holds the risk of becoming a service department for other subjects, a fate shared by all method sciences.



The class about Australia also developed a logical continuation, Development Geography. Development classes were extremely popular among students selecting EG or Economics. Among other students they may have been no issue. The fans apparently got the same kind of adrenaline kick as this author in the Australia class. More than that, there was an opportunity to contribute to the welfare of Mankind, get an interesting job with attractive pay, and make a beautiful career. The initial response was incredible. The first class was oversubscribed five times over, which went unnoticed by the administration. When the first lecture was due to begin, the professor needed to get a larger auditorium, the corridor behind him being crammed with students, rolling like an ocean. With the years, realism set in. Development jobs had their dark sides. People "over there" seemed to be very much like ourselves, haunted by their own phobias and feuds, and did not always appreciate the good order which development workers wanted to impose on them. Bright memories predominate, however. Ideologically motivated people ignored the daily deprivations, learned the vernacular, one married into a local family, another was elected to the village council. Their opportunities to influence and contribute increased accordingly.

The question of whether Development Geography could have become the mainstay of the EG department never came to a head, however, because the professor got a university job and took his expertise and enthusiasm with him. But, in retrospect, the answer has parallels in regional planning. There was political support, ideological commitment, and the resources used faced an undefined payback period. There was also the question about the skills that B school graduates could offer. Much development work is in rural areas, agriculture and small business. University geography with expertise in the physical environment and inter-

est in Sociology has a competitive edge there. With time, the needs of the developing world also became more upscale. The need is for high-tech expertise, not the traditional development aid. The problem may not be the non-availability of skilled labor but how to prevent it from migrating to industrialized countries. From a strict B school perspective, interesting jobs, good pay and a beautiful career can also be made in the commercial world. Why cross the creek to get water?

These recollections cover almost five decades, about three average professorial mandates. There have been ups and downs, exactly as at business corporations. New products have been launched, some have been accepted and others not. When accepted, there has been a growth period, saturation and decline. A changing environment has made some products obsolete. An unexpected shock has demanded rapid adaptation, exactly as textbooks tell it. Three or four peaks can be identified: the Australia class, the coming of CPT with regional planning, Development Geography, and the London field trip. The first and the last are genuine B school stuff. To be sure, they are at the introductory level, but they offer a base for further product offerings. The others tilt more toward university geography. Their contribution has been access to a genuine theory and the insight that the international angle is the lifeline of B school geography, with a historical score of 3 to 1.

After all, the actual story is much more delightful than the gloomy title would suggest. Frankly, the title is a red herring, to raise reader interest. Bad news, other people's bad news, is always more interesting than good news. But this hoax does not mean that everything is well. It is not. When a vacant chair is frozen for want of competent applicants, there is reason to worry. When rumors start to circulate that students interested in EG better attend the university instead, there is still more reason to worry. Such acts smell of scientific imperialism because a chair in Accounting or Economics would be filled with provisional labor without any idea of scaling down activity. That was also the stopgap measure in the distant past when a shortage of competent faculty was felt in every subject. The long-term solution was to establish a doctoral program, with gratifying results. EG has been part of such programs, but the results have been mixed. Very professional monographs rub shoulders with typical university products. Resources are wasted and the image is marred.

## Suggestion

If an incorrect product mix with an ensuing muddy image is the only problem, this should be possible to correct. When we look at matters from the demand side, as indeed we should, the most consistent feature through five decades has been the quest for country facts, the Area Studies Program (ASP) of today and the Regional Geography of yesterday. The Australia class, Development Geography and the London field trip are just manifestations of this basic need. By simply acquiescing in that, we return to square one, however. An old-time regional geography was an all-embracing tome of 900 pages, starting with geology and ending with major cities. The author had spent the better part of his life writing it, and the critique meticulously observed every typographical error. If there was an underlying theory, it was carefully hidden from the reader. It would have been great science at the turn of the century, but at mid-century the approach was outdated. Suppose, however, that we do not care but just carry on.

What could be added to that? Studies about language, history and culture. It is amazing, to stay at the most trivial level, how citizens of even the most powerful countries are moved when their prominent countrymen are cited verbatim, a sign of cultural respect. One innovative university played that card after the oil shocks by offering crash courses in the Arabian language, history and culture. The idea caught on elsewhere as ASP. The problem is only that the crucial language skills rest with linguists and not geographers. To become a real expert on a non-Western culture requires a very large investment of time and money. Such people also have other job opportunities than academics. If the country prospers, it may be possible to recover the investment. If it flounders, in internal strife for example, the investment is lost. It is difficult to pick up a meaningful blend of countries. The human resources of geography departments are limited, and so are the possibilities for diversification. Making the choice has features of gambling. The threshold to Western ASP is lower, but there the challenge rests in students who have grown up in these countries and may outwit the faculty.

This author has another suggestion, more in line with existing skills and offering scope for theoretical reasoning. It builds on a certain amount of cooperation with economic sciences, Business Economics in particular, which is seen as the driving force at B schools. It begins with retailing and much of what applies there will apply to restaurants as well. Retailing is a field in which everybody is an expert of a kind. It is very well researched, so that the instructor can always support his/her presentation with theory-like generalizations. The class should not be confined to supermarketing and everyday outwear. It must cover the whole range, from corner stores to exclusive retailers. It must pay attention to the site preferences of chains and their assortments. This knowledge needs to be juxtaposed with the social structure of the neighborhood and the town. The same will be repeated on the national scale. Retailing is people's business and therefore an excellent gateway to learning about a country. If it can be done internationally as well, all the better. Some chains have spread all over the world. Have they been forced to adapt to local conditions in merchandizing, service, store layout and siting? They can sell only what they can procure. How is this side organized, locally or globally? How does this affect the logistics bill and the overall image of the chain? With mobile customers, the merchandize should have consistent quality. The pricing structure should be logical or customers will revolt, or create unofficial, parallel distribution channels. Retailing tends to have a low status among students and academics. That is completely wrong. Retailing is recession-proof, relatively speaking. Retailing empires can be as large as manufacturing ones. It is much easier to become a millionaire in retailing than manufacturing. Even the most powerful manufacturer must sell its products, and the most meaningful way may be to open its own stores and establish franchises. Retailing is an important business, worth our full attention.

Geographical theorizing may have been at its best in the manufacturing context. The classical location model carrying Weber's name and imitating steel, cement and similar transport-heavy industries has amazing staying power. Investigative journalism has traced it back to the seventeenth century, then lost interest and left further excavation to future generations. The model has practical relevance in Russia's

vast continental expanses. Elsewhere, a short commentary will suffice. The steel industry nowadays prefers the shoreline, to access worldwide raw material resources and play suppliers off against each other. When Australian coal in Rotterdam became cheaper than Ruhr coal at the colliery gate all the rules were rewritten. Having disqualified classical location theory, let us turn to innovation spread instead. Much Industrial Geography has this dimension. Product ideas, production technologies, procurement philosophies, territory expansion. Sometimes the information channels leave a geographical imprint, sometimes not, but that alone does not make the theory irrelevant. Experiment with car manufacture. Do observe, however, that car manufacturers are just one example of assembly industries. Truck manufacturers are already different, and aircraft makers and shipyards still more so. Some manufacturers are beginning to assume features of chain-store retailing. They have plants with roughly similar technologies and product mixes in all major markets. Most manufacture consumer products, such as food and home appliances, or assembly components. But some offer genuine producer goods. LNM/Ispat, an Indian-owned steel company, is at the forefront of this development. As car and appliance manufacturers develop global products, they need suppliers who are able to deliver steel to the desired specifications all over the world. Ispat has this skill.

Never forget the food industry. Much of it is low profile but many companies operate worldwide. Tell about the Nestlé empire, its origins as a Swiss condensed milk and chocolate manufacturer, its early (although failed) entry into the USA, its growth by acquisitions into a global behemoth of 800 subsidiaries, and its efforts to develop tasty products based on local culinary expertise and tradition. The local supermarket is full of its products, although mostly marketed under pre-acquisition labels. Or have a look at luxury industries, Swiss watches and Italian accessories. Their PR dwells on design and traditional handicraft skills but there is high-tech in every hook and seam. They would not have survived Asian competition otherwise. High-tech notwithstanding, much of it is cottage industry.

Many food industries are essentially process industries, relying on chemical processes in vessels and pipes. The chemical industry may offer the best examples of industrial districts, the pet of much geographical theorizing. The motorcycle scout who took our road tanker in the mid-1970s from Gate No. 6 at the BASF Ludwigshafen works through a maze of works streets to the correct loading dock told us that the area was 10 sq km and employed 60,000 people, several times the Finnish paper industry figure. The area is called “works” because it is compact and owned by one company. It can equally well be designated an “industrial district”. Insiders used to complain about the paper industry’s fragmentation which made competition difficult in export markets. Consolidation was called for. So strange; plants were already huge and specialized. Perhaps scale economies were seen in marketing. Be that as it may, today StoraEnso and UPM-Kymmene are hailed as world champions in their sectors. Did this go unnoticed by EG? If smoke-stack manufacturing looks dull, go to the pharma industry. It is fragmented by global standards, heavily dependent on research, makes a lot of money, and has an air of modernity. Because of its biological and medical foundations, developing at a ravaging pace, it is a tough nut for EG to crack. Do not

be intimidated. There are no free lunches.

This vast array of companies and industries is tied together by location factors. In the global context, the slogan is labor, labor and labor. Inexpensive labor, if it is garments and consumer electronics. Skilled, dedicated labor if it is high-tech. The Japanese took some of their high-tech to Southeast Asia, and repatriated it ten years later. The local labor was not skilled enough and schooling it to the necessary level had been an uphill struggle. Ostensibly, mere technical training was not enough. Cultural factors were also involved. When we take an unbiased look at the production factors to be minimized, we cannot avoid taxes. They are a major cost item: not necessarily the income tax, but the whole range in combination. It may well make sense to structure the production and sales apparatus with this fact in mind. This is a standard topic in Accounting and Law. But that is no reason for geographers to neglect it. The financial, accounting and legal jargon can be learned, as everything else in this world. The geographical contribution will be in measuring the distortionary effect of taxes, on locations, employment figures, market shares, and possibly trade flows.

When synergies are sought with other subjects, Administration comes late to mind. The subject appears abstract to an outsider, even at an introductory level. The core message is non-spatial but there is a physical imprint. A place must be found for the staff and its activity radius defined in the field. We get the office locations and administrative boundaries. The conventional problem in EG has been: "Rank these metropolitan cities by administrative importance." The opposite question: "Where should the head office be located?" has received less attention. It tends to be where the origins and/or the major shareholders are, but the best location may be elsewhere. What will happen if the location is changed, perhaps to another country? It is still more unusual to ask: "What are the functions in general and where should each of them be located?" That is much more than relocating the back-office functions to a province or a low-cost country. For global companies it is an extremely complicated question. The geographical dimension is only too obvious and so is the lack of geographical research. With locations selected, it is time to think about boundaries – or is it the other way round? Nationally, tradition weighs heavily. There is an instinctive feeling about how the territory should be divided, and the current administrative structure certainly plays a role. But internationally it can be a nightmare. The areas should not be too different in sales potential; they should be culturally close; they should not be political antagonists; and they should not be too many. It is a very basic geographical problem. The dispersed units communicate with each other. The channels should be rapid, inexpensive and secure. Mail, phone, Internet, fax, videoconferencing, company car, company jet, the range is wide and varied. Different functions at different organizational levels have different mixes. Some empirical work has been done in difficult circumstances. Staff and executives at business companies have other things to do than keeping diaries about their communication and movements. Security aspects come into the picture. The main practical result of a certain DBA thesis was that the topical company put an absolute lid on all external interviews outside the official channel, that is, the PR department.

Business Law appears to be still more distant from EG. Appearances can be deceptive.

When companies go international, they encounter alien legal systems. Simply getting started is different. In some countries agents have a very strong position. It takes a long time and becomes expensive to get rid of an incompetent agent. If an owned unit is the entry vehicle, it may be possible to establish it as a branch, in which case the parent will be fully responsible. Host country authorities may wish to have better control over the foreigner, however, and insist on a subsidiary. This entails higher costs and full subordination to the host country's legal system, but limits risk to the subsidiary's capital. Hopefully all will go well and the business will prosper. If not, differences between legal systems gain importance. What is the competitive legislation like, cartels for example? What is the extent of product responsibility? What are the responsibilities of executives and the board? Can they be sued for negligence, or must it be fraud? Is it possible to choose between courts? Does the court consist of professional judges or is there a layman jury? How heavy is the onus of proof? Are there punitive damages? How extensive are the judge's powers to decide their size? If the company defaults on its international bonds, does it have a practicable possibility to negotiate with bondholders about rescheduling? There is a sea difference between English law and the law of the State of New York, the dominant issuing legislations. Will the company go into bankruptcy immediately when it cannot pay or when debts exceed capital, or can it reorganize under the protection of law? Can a creditor offset possible debts to the estate against credits, or must it join the other creditors? When the verdict has fallen and gained legal power, what are the chances of getting it executed? These are routine questions for any lawyer specializing in international financial law. They are not EG but they leave a geographical imprint. Legal systems can be classified by them and often a cultural rather than geographical closeness can be discovered, the outcome of an innovation process.

The alternative to a Business Economics orientation is, of course, Economics, and then the product mix will tilt toward international trade and finance. Perhaps the two alternatives can be combined, two years at the micro level and one year at the macro level. What the third year would include in detail is rather opaque because there are so many possibilities. That, again, results from the fact that EG is as much an angle of view as a coherent structure. One might call it a scientific federation. International trade, perhaps. Foreign direct investment, not impossible. Portfolio investment would link with FDI. That would lead to high finance, exchanges and finance centers. Could this contribute to the existing Economics program? Traditionally, EG has worked with individual commodities and energy sources, transport modes such as shipping and air traffic, and port hinterlands. Many problems have a global angle and are saturated with power politics. At a London B school all that would make a great product offering. But Scandinavia is not London. When the choice is made, oil and gas immediately spring to mind, because of their importance, the emergence of alternative sources in response to political instability in the Arabian/Persian Gulf, and their controversial substitutability by nuclear energy. The grain trade is a possibility because it is so large and shows the distortionary effect of politics. Brazil is the low-cost producer but outcompeted by the USA because of farm subsidies. The EU, in turn, outcompetes the USA, particularly in the Middle East, by paying still higher subsidies. It is com-

pletely absurd. The farming population is getting smaller and smaller, and subsidies are getting larger and larger. Russia has joined the fray after a 90-year lull, assumedly without subsidies. If Political Geography should be part of the curriculum, here is the place, adjacent to oil and grain. Maybe iron ore and coal because of the historical dynamics of their production patterns. Or should it be copper, the king of non-ferrous metals, because of its role on the London Metal Exchange, the interaction of primary and secondary metal, and Outokumpu's role as a technology provider? Perhaps the gold market because of the exotics in production and use, and ready availability of teaching material? But no more. On the inorganic side, there are some 50 metals and minerals, and the same number of crops on the organic side, worthy of discussion. Their complete treatment is impossible.

## Outlook

Geographical questions will not disappear from the world. They have always been with us and are here to stay. If EG does nothing, others will fill the void. The thesis on the international expansion of business companies was a warning signal. Porter's analysis of the competitive advantage of nations is partially on our turf. Why not? There is no EG at the Harvard Business School. A recent study about equity investing and trading, in which the standard distance decay curve emerged as a major discovery, conveys the same message. EG cannot monopolize this curve but it can participate in discovering it in business connections. It would appear rational to leave that part to professionals, that is, economic geographers. That is to say, if EG is going to survive at B schools. This author's best guess is that it will. He is fully confident about that, and the suggestion reflects it. It is very ambitious. Put into practice it would mean a three-year geography program. B school subjects tend to be split into obligatory and voluntary. Every student must take a number of classes in the obligatory subjects (Business Economics, Economics, Law). Five decades ago their orientation was domestic, and this author avoided them if at all possible. With time he realized the mistake. The obligatory classes laid the foundation. This article would never have been written without them. They have been a constant source of inspiration. EG has lost ground at B schools. It can be regained. But then EG must deliver, deliver something which has business value. ■

## Further reading

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