Article

EUROPEAN URBAN AND REGIONAL STUDIES

European Urban and Regional Studies
18(1) 3–21

DOI: 10.1177/0969776410394553
http://eur.sagepub.com
SAGE

Justice, efficiency and economic geography: should places help one another to develop?

Michael Storper
London School of Economics, UK

Abstract

What is a 'just' or 'equitable' territorial distribution of resources or economic and social development? As in the other social sciences, the normative dimensions of territorial development – of what would constitute 'just' cities, regions and global patterns of development – cover the process of resource creation and allocation, as well as the geographical (place) and interpersonal (people) outcomes of such processes. A geographical approach to justice and equity must consider the interaction of place distributions and people distributions of income and opportunity. Place and people distributions may conflict with one another. Moreover, different such distributions have different impacts on economic efficiency and thus on aggregate output. This article confronts theories of justice with results in economic geography about the territorial basis of economic efficiency. It then opens up a research agenda on the normative bases of inter-territorial relations and on the possible criteria for redistribution of development resources among territories.

Keywords

efficiency, equity, justice, regional policy, urban policy

Geography, efficiency and justice: people and places

The geography of the economy is both a cause and an expression of its efficiency. Some geographical distributions of people, products and incomes may contribute more than others to maximizing efficiency. But maximizing efficiency affects justice as a social process if it requires that people move, change their ways of life or change what they do. Maximizing aggregate economic efficiency is also likely to create richer and poorer places and hence create unequal access to opportunities.

Two questions emerge from this starting point: In what ways does geography contribute to efficiency and justice and how much do the two overlap? And, where they do not overlap entirely, should more developed places help less developed places to offset the consequences of the difference? We live in a world where places have a great deal of de facto influence on each another's development: through trade, migration, information spillovers and the movement of capital (Pogge, 2002). If geographical efficiency and justice do not entirely overlap, then does a wider view of justice suggest that we should do something about the effects – intended or unintended – that one territory's actors have on another place? The huge resources and political attention spent on regional, urban and national development policies merit an examination in light of these concerns,

Corresponding author:
Michael Storper, Professor of Economic Geography, London School of Economics, Houghton Street, London WC2A 2AE, UK
Email: m.storper@lse.ac.uk

especially through the ongoing effects of deepening global integration on the fates of places.

Until recently, economic geography research and territorial policy have paid rather little attention to these normative issues. But increasing political claims are made in the name of 'just' geographical processes and outcomes (Fainstein, 2010; Soja, 2010).[1] In this article, I will show that there is no single theory capable of defining a single, ordinal scale that combines 'first-best' economic efficiency and geographically just outcomes. But we can use a variety of theories to better identify the different dimensions of the relationship between efficiency and justice over people and places. By doing so, we can also see that achieving desired outcomes requires much more than any single 'magic wand' mechanism (the market, the state, centralization, decentralization, etc.); instead, it requires a complex, messy process of social choice.

Some examples

A few examples will provide a sense of the issues of justice and efficiency in relationship to economic geography.

Global and regional inequalities. Much economic efficiency depends on agglomeration (Fujita et al., 1999; Krugman, 1991). In many activities, agglomeration makes it possible to minimize production costs by allowing production fragmentation with relatively low transaction costs and to manage a high-turnover labour demand by matching pools of employers to pools of workers (Fujita and Thisse, 2002). Agglomeration also may promote dynamic efficiencies through technological spillovers ('learning') (Duranton and Puga, 2004). Certain local and regional economies are favoured by their agglomerations, which raise their prices and wages, and usually in real terms. This generates a tendency for inter-place real income disparities at various scales (from interregional to international). Though there are some mechanisms that promote offsetting convergence, they are generally not powerful enough to erase inter-place income disparities (Barro, 1996; Barro and Sala-i-Martin, 1995). Aggregate output and wealth levels of economies are hence higher when there are territorial inequalities (Martin, 2005). In this case, should we help the weaker places, encourage people to move to the richer places, or do neither? What is a 'just' distribution of income and activity in relation to this 'efficient' distribution (Baldwin et al., 2003)?

Gentrification. In many cities, wealthier and more highly skilled people move into centrally located neighbourhoods, raising property values and making it impossible for the previously dominant socioeconomic group to continue to live there. Gentrification is the spatial process by which the highly skilled locate themselves in relationship to their agglomerating jobs, which are also often located in the core of metropolitan cities. Such double clustering – residential and workplace – seems to enhance the interactions by which such skilled people signal and learn, and to raise their productivity and hence the output of the economy (Glaeser, 2008). This process initially accelerates intra-neighbourhood inequality and, if there is enough centre city gentrification, it may increase inter-neighbourhood inequality as well. Is it just for gentrification to occur because it meets the needs of the highly skilled? Is it just only if it can occur without substantial displacement of other groups? Is it just only if the positive effects on the economy outweigh any negative effects on the most negatively impacted groups and individuals? Or only if those negatively affected are actually compensated?

Ways of life. Economic integration among territories generates more output because it allows specialization to flourish; these are the 'gains to trade'. Integration also increases the variety of products available, generating additional welfare increases within and between places. But the corollary of integration is that competition from imports and dedication to producing tradable exports can rearrange the local economy concerned and in some cases destroy the pre-existing local 'way of life' (Benhabib, 2006; Cowen, 2004; Rauch and Trindade, 2005). This is very apparent when, for example, a hitherto isolated region comes into contact with the world economy; but it has more subtle manifestations, as when an old manufacturing region in a developed country finds

its comparative advantage redefined by competition from an emerging economy. There can be displacement effects of these processes: job loss, winners and losers in terms of income, and so on. Is this just if most individuals benefit but the collective 'way of life' disappears? Is it just only if the worst-off individuals in the group whose way of life disappears also benefit, or just if there is merely an average 'group gain', even if some members lose out and object to the change? Or is it fundamentally unjust to change a way of life as an unintended effect of individual, efficient decisions to produce and trade (Lear, 2006)? On the other hand, if a way of life is protected, this can have unintended impacts on people and places: an old manufacturing region that protects its 'way of life' may do so by depriving a developing region from the opportunity to produce certain types of goods and to develop.

Should there be Senates? Many countries have two-chamber legislatures, with the upper chamber getting a fixed level of representation, independent of population, and the lower proportional to population. This typically results in higher-than-average transfers to the less populated areas. Is this a justifiable transfer, the way that 'ways of life' and 'local preferences' of the smaller or less rich are preserved in the face of more populated, richer regions? Or is it a 'hold-up' of the latter by the former, with negative welfare consequences for the residents of the more populated areas?

All of these are examples of people versus place distributions of productivity/output, wealth, preferences and voice. What benefits individuals may not benefit their places or territories on average; what benefits individuals in the aggregate may not benefit all territories and may even exacerbate inter-place inequalities. The outcomes to be considered must include both intended and unintended ones. Moreover, the processes that enable people to have individual voice (as producer, consumer, individual) may not allow the average or even median preferences of the people in the place in which they live to be satisfied. The *process* relationships to be considered therefore should include the geography of opportunities to voice or express preferences.

Scale and community: Who is 'us' and who is 'them?'

Justice among places can be considered only in light of some clarity about the relevant range of places that want to be just with one another. Insofar as places have explicitly decided that they form a political and economic union, then it follows that there is at least an entry point for discussing justice. It becomes justice 'within' the relevant territory. This does not resolve anything, of course; even within a political union, smaller geographical scales such as neighbourhoods or regions can dispute the fruits of overall growth or the distributional consequences of economic change at the higher level. So there can be more or less intensive levels of 'us' and 'them' within a union. Even within an explicitly unified territorially-defined community, there are interpersonal and inter-group distributions of resources and power that are likely to unequal. Nevertheless, these insider–outsider dynamics are subject to some restraint by the notion that, inside a political community, there is at least some 'us', in the sense that there is some kind of 'agreement' that we share a legitimate scale (and institutions) at which such questions could be debated (Nagel, 2005; Pogge, 2002).

Where such agreement or union does not exist, things are thornier. What debate about distributional consequences, justice and efficiency do we want to have with members of fully foreign nations or ethnically or linguistically distinct regions, where we have not explicitly agreed that we are members of the same territorial union? Do we have different justice and efficiency claims on strangers who are members of our society from those who are not? Are the claims different for 'nearby' strangers as opposed to (socially and geographically) 'distant' ones (Rawls, 1999)?

Upon closer examination, this difference is less important than it may appear. As noted, when we are part of a political society (such as a stable nation-state), the question of 'who is us' and 'who is them' still shows up all the time, not only between groups within the population but at smaller territorial scales within the union. This is evident where territories correspond to sharp ethnic and linguistic splits, but it also crops up where there are de facto differences between places in economic development, shared

history and innumerable other identity traits. Where we are not part of an agreed-upon union (political union) but we are strongly interdependent in de facto terms, the institutionalized claims are weaker (one country to another, for example), but this is a difference of degree rather than nature in examining the interaction of geography, efficiency and justice in a globalized, interdependent world. An extreme version of the 'distant strangers' problem is groups who are distant in time in our own place – future generations of farmers or putative housing consumers – or in both space and time – those same groups but in other places. In any event, though an efficiency–justice framework may require more institution-building for the 'distant us–them' scale than for the explicit union that is already institutionally organized and relatively stable, the problem of who is us and who is them applies to all geographical scales and is constantly reinvented over time as a dynamic dilemma of human society (Crocker, 2008; Fleurbaey, 2007).

Justice and efficiency in economics

Economics is inherently concerned with justice and all economics has normative foundations, whether these are implicit or explicit. Justice can concern both the economic process ('fair' interactions) and economic outcomes ('good' consequences). Economics is also centrally concerned with efficiency. Efficiency can be conceived of as principally static and allocational (how to get the most out of resources), or as dynamic (how to generate productivity growth, i.e. development). Modern economics formulates the relations between these two concerns as a simple proposition, in the First Fundamental Theorem of Welfare Economics. It holds that an optimal allocation of resources comes about because of a fair (defined technically as 'perfect') process, via the assumption that the latter will generate Pareto consequences. Translated into more conventional terminology, the process that leads to efficient outcomes is 'just' because, when equitable cost allocation ('user pays') is combined with perfect information, no externalities and rational utilitarianism, there will be resource allocation and factor rewards that are the best we can possibly do.

The Second Fundamental Theorem of Welfare Economics tries to dissociate efficiency and equity and the possible trade-offs between them. This is because the price effects and the wealth effects of any given allocation of resources may go in different directions; there is, as a result, no unique subsequent equilibrium, but many possible ones. Though, in principle, all such allocations are said to be efficient, not all are necessarily first-best equilibrium allocations. The reason for this is that these equilibriums will be based on different distributional outcomes (the wealth versus the price effect). They would therefore be ranked differently according to the aggregate social welfare function that is preferred. Therefore, equilibrium analysis loses its ability to promise that the development process will lead to the combination of efficiency and equity that most people want.

There are also ways in which equilibrium analysis relies on assumptions about how the economy functions that are incompatible with the satisfaction of preferences, a keystone of the claim that efficiency and equity are represented by the outcome. The most important such assumptions are that consumer preferences are 'convex' (diminishing marginal rates of substitution) and production sets are convex (i.e. no economies of scale), because they align an efficient recombination of factors with the possibility of optimally satisfying everyone's preference. However, these assumptions are far from much economic reality.

The relations between justice and efficiency become even more complex once we introduce development over time on the efficiency side, unless we can be sure that all immediately 'efficient' actions are also those that generate the most long-term development – something that is far from being established (Amsden, 2001; Pike et al., 2007). On the justice side, if interactions involve high costs, less than perfect mobility and impacted information, then the process is not necessarily going to be fair to all agents, nor will it necessarily maximize static or dynamic efficiency. Once distributions are considered as one dimension of just outcomes (and not simply maximizing aggregate output), it is no longer clear that allocative efficiency achieves justice. Finally, if even long-run output maximization is not the unique goal of development, then

distributions along the way may matter for their own sake and for how they affect long-run output and long-run distributional patterns (Pearce et al., 2006). In other words, the process may matter for its own sake, not merely for its utilitarian effects on other things (Rawls, 2001).

Justice in the new economic geography and the new urban economics

The core innovations in geographical economics in recent years have reaffirmed the long-standing belief that geographical concentration of economic activity – in the form of specialized production clusters, cities and city-regions – is a key underpinning of economic efficiency. Specifically, geographical concentration generates pecuniary gains for firms (proximity to suppliers and labour markets, ability to reduce overheads by being able to resort to external suppliers and labour pools) and possible dynamic X-efficiencies (being around 'innovative milieux' that enhance innovation and renew advantages). If aggregate social welfare is equivalent to aggregate social income, then geographical concentration is one underpinning of maximizing welfare. But geographical concentration is associated, in the short and medium run at least, with higher inter-territorial income inequality between urban and non-urban areas, between 'more densely developed countries' and less developed, and even between cities of different sizes and industry compositions (Bairoch, 1997; Combes et al., 2008).[2]

A standard extension of this logic is to consider cases of regional policy, such as the European Union's framework for redistributing development funds from higher-income regions to lower-income ones, with the stated goal of encouraging inter-territorial 'equity' (European Union, 2004). New economic geography (NEG) theorists criticize this type of formula because it reduces aggregate social welfare (output), insofar as the resources are diverted to lower productivity uses. The bias against agglomeration, so it goes, has a perverse aggregate effect of choosing equity at the price of being generally poorer (Martin, 2005).

Most such approaches bracket two forms of income distribution: between individuals and between places. They do this by using a standard social welfare function in which each individual has a weight inversely proportional to his/her marginal utility of wealth. In this case, not only are agglomeration effects justified in the aggregate, but so are the income inequalities within places that they may generate (because they raise returns to skills as the basis for aggregate output increases) and between places (for the same reason) (Charlot et al., 2006).

Moreover, most extensions of the basic point, such as can be found in the 2009 World Bank *World Development Report*, assume that these distributional outcomes will soften in the end. They do this by borrowing from trade theory the assumption that, in the long run, integration does the job of evening out the interpersonal and inter-territorial income effects generated initially by agglomeration. In this version of things, de-agglomeration and factor mobility, combined with asymmetrical trade flows, will generate inter-territorial catch-up and convergence effects in the long run, if only we let agglomeration generate efficiency in the short run. So justice and efficiency come together over space and time. In the meantime, many forms of equity-oriented inter-place assistance are to be avoided (World Bank, 2009).

There are at least three ways that such reasoning is incomplete, however. The first is that the jury is still out on convergence effects. The USA is used as an example of convergence (between states); but this may be just a question of scale. Agglomeration continues to generate divergence at the regional/metro scale, while decentralization of production and population mobility generate convergence at the state scale (Drennan et al., 1996). In essence, it is the distribution of metropolitan regions and broad types of economic activity that generates the appearance of convergence and the broad interregional scale, but, observed more closely, there is not convergence of factor proportions or factor prices, or in incomes among metropolitan regions. Moreover, the USA is not typical of economies around the world, where convergence tendencies are weaker (Ciccone, 2000; Midelfart-Knarvik and Overman, 2002).

The second way the NEG framework is incomplete is that it does not consider externality effects of

agglomeration. In the standard social welfare function used by economists, the unemployed unskilled worker in Manchester should move to London if she wants to get a job, whereas the London banker does not have to move to even out incomes between regions (because of different marginal wealth utilities). The unskilled person in the poorer region should not be compensated, in a pure utilitarian approach, if she can move. But, in reality, agglomerations such as London have less need for the unskilled from the peripheral regions than for the skilled. And the unskilled in the periphery suffer an externality effect when the skilled leave to move to London, because the relative productivity of their local economy declines and the departure of the skilled hastens the departure of their industries, in a downward relative income spiral for the region. Hence, the standard NEG approach and the standard welfare function, even if they are not inherently concerned with distributional effects, are obliged on their own terms to consider possible externalities.

The *World Development Report* also never considers the possibility that, even if equality (convergence) follows in the long run from efficiency with inequality today, in the meantime there could be such serious economic, social and political tensions that the process towards convergence would ultimately be short-circuited by these other dynamics. This is certainly what has been observed in backlashes against globalization in the late-19th and early 20th centuries (O'Rourke and Williamson, 1999).

Within the NEG logic, the conclusions could also be reassessed using alternative social welfare functions (known as Kaldor, Hicks, Scitovsky functions because they assume a higher preference for equality than in the standard function). For example, if the society has an aversion to interpersonal inequalities, then the justice standard would require that the losers in the peripheries be compensated for the losses they suffer, which would combine the effects of interpersonal inequality that are compensated and the territorial/locational contribution to their losses (see Just, 2004; Kaldor, 1939; Roemer, 1996; Scitovsky, 1941). Notice that such a justice standard is one that intends not to produce territorial equality but to compensate the individual inequality caused by location (which might, in some circumstances, include helping people to move).

However, an inequality-averse social welfare function could also lead to the opposite conclusion, in view of the geographical distribution of income (Bénabou and Tirole, 2005; Charlot et al., 2006; Roemer, 1996). Although average incomes in peripheral areas are lower than in centres, there are major concentrations of needy people in areas that are, on average, fairly rich (e.g. poor neighbourhoods in major city-regions). Assume that there is a fixed budget for spending on regional development assistance. When such assistance is given to areas with lower average incomes, it can be argued that the people who most suffer are the underserved populations in highly developed urban areas – spending on a rural post office or town centre has a regressive distributional effect if densely settled poor neighbourhoods in big cities could benefit more from an expanded post office or public facility or job training than the average beneficiary of such aid in a peripheral region.

Moreover, all these results are also extremely sensitive to scale. In the 'new neoclassical urban economics' (NNUE), Glaeser (2008) argues that place-based policies designed to help the poor actually worsen their fate by providing them with incentives to remain where they are and to remain together. This is a utilitarian criticism, rather than one motivated by an aversion to inequality. But notice how it can potentially contrast with both the notion that assistance can be more distributionally just if it is concentrated on the areas where poorer people are concentrated, and the contrasting idea that those people who suffer negative locational external effects of agglomeration should be compensated if they cannot move. If taken to its logical conclusion, this implies that no territorial externalities or locational effects on people should be compensated, and no territorial income inequalities should be compensated, because of their perverse outcomes on economic performance.

A further argument from the NNUE spatial equilibrium approach is that, instead of helping the rich places where some poor people are concentrated, we should assist the individuals, especially because they suffer from the high cost of living in a rich places. But writing a cheque to a poor person does not

ensure that she will have access to collective goods such as schools and safety. To those who claim that the poor person can (or should) leave, the counter-argument is that the places with good schools and safe streets frequently block these people from getting in (through zoning, at a regional level, that bundles amenities and the local 'way of life'). Moreover, if these people do go to an entirely different region, nothing guarantees that they will have the collective goods they need once they arrive. Such poor people, lacking social networks in these other places, may remain vulnerable and have difficulty in achieving social mobility.

To summarize, the insights of geographical economics can be used to think about efficiency and justice, but it is a complicated and thorny nexus that requires great conceptual clarity and considerable empirical knowledge about: (a) the geography of income creation; (b) the welfare preferences of the people concerned in the relevant territories, including the degree of utilitarianism and preferences about inequalities; (c) the direct income distribution effects of the geography of income creation, interpersonal and inter-territorial; (d) indirect income distribution effects, such as externalities; and (e) the extent to which mobility is an option and/or a preference. Most of the literature that ventures on this terrain has only very partial knowledge of the empirics, and usually makes strong, but somewhat arbitrary assumptions about preferences in adopting a welfare function. The new economic geography and the new neoclassical urban economics are a good start, but there is a long way to go in firmly establishing both the positive analytics of efficiency and the normative bases of territorial justice. Most importantly, as we have seen above, when we adopt an inequality-averse social welfare function, the solution in geographical space still does not emerge automatically.

Normative implications of Marxist and market failure approaches

Another economics of inter-place relations with normative and policy implications is focused on the urban scale, and the economics concerns the land market. The change in scale from the approaches considered above is important, in that, by focusing on the urban area, it is possible to assume – realistically – that there are high levels of movement and interactivity of persons. These are the realms of 'daily urban systems'.

The starting point is the Ricardian land rent theory: land has an inelastic supply owing to position or location, and hence the auctioning mechanism is price rather than quantity (McCann, 2001). The Marxist analysis of urban land markets, stemming from David Harvey's seminal exposition in *Social Justice and the City* (1973) is based on Ricardo. Marxists add that price can be considered an 'exchange value', that this does not correspond to the land's 'use' value, and that land property is a form of capital. As such, its ownership is very unevenly distributed in the first place, reflecting the class structure of the society; moreover, the budget constraints of different classes are unequal, with the owner class having the ability systematically to outbid other potential users of land. Use values are thus systematically depreciated relative to exchange values. Since owners want to maximize exchange value, private land markets establish land rents that systematically fail to satisfy many use values, discriminating in favour of the rich and the propertied, as against non-owners or lower-income groups. No efficiency effects are seen to come from the role of land rent as a price signal, in auctioning land and hence in sorting uses to different parts of the urban–regional space (Harvey, 1973).

Standard market failure economics uses a similar line of reasoning, to different ends. Land rent is a problem when it does not price in positive or negative externalities correctly. If positive externalities are not fully priced, then there will be too much concentration in the 'good' places, since the price of access will be lower than the value; if negative externalities are not fully captured in reducing prices, there will be excessive aversion to less desirable places as a way to hedge against the eventual pricing-in of their unpriced effects. So the efficiency of land markets in their primary task, which is to sort uses, will be reduced. At the worst, land markets could lead to vicious circles of 'spatial traps' and excessive build-up of values in other places (Ravallion and Jalan, 1997).

What do these approaches imply in normative terms? The market failure approaches address themselves almost entirely to rectifying inefficiencies: positive and negative externalities should be priced in (possibly by taxing certain location-specific rents and redistributing them; possibly by actively combating negative externalities). Even with efficient levels of spatial concentration of activities, truly efficient land markets should have a more even spread of land values and locational benefits than is the case with imperfect land markets. So there is an 'indirect' redistribution notion in these models. However, beyond this efficiency-based reasoning, there is no explicit attention to the relationship between social welfare notions of ability-to-pay and ability-to-enjoy and an efficient organization of space and access, or any attention to interpersonal income distribution issues. The assumption is that efficient allocation of land will maximize aggregate social income, real or nominal.

If Marxism can be said to have an 'alternative social welfare function', it would seem to be one that argues for a need to replace exchange value as the allocation mechanism in favour of use value, in order to reduce the contribution of land rent to social inequality (Roemer, 1996). This requires substituting public (democratic) control over land for private (market) control. Exactly what the social choice mechanism would be for deciding the allocation of land to use value is not specified, especially if we admit that there are likely to be lots of conflicting preferences among the public about who gets what. Nor do these approaches go much beyond a critique of land rent as 'class power' to 'speculate', to consider how efficiency considerations could be integrated into a use-value-administered land market, even if the underlying income distribution were made radically more egalitarian. So the Marxist critique is suggestive, but offers little that serves as a guideline for alternative normative foundations or criteria for inter-place justice.

Public choice and geography

Public choice theory has had a powerful impact on urban economics through the Tiebout Hypothesis of local government competition in satisfying preferences (Buchanan and Tullock, 1962; Tiebout, 1957). The urban region is conceived as a space in which there is an uneven distribution of features of places, especially land uses and amenities. This supply encounters the variety of preferences that exist, and people sort themselves into the spaces where their preferences can be satisfied, via mobility. In this sense, people and place distributions are not in conflict, and indeed fragmentation and diversity of supply are seen as a way to ensure that the maximum variety of preferences can be satisfied. Competition among local governments makes the supply dynamic and, if sufficiently disaggregated, it avoids the build-up of principal–agent or Condorcet problems.

The analysis does not specify at exactly what scale (or granularity) places have to be fragmented in order to ensure that the supply keeps up with demand. Beyond the nearby-urban scale, it is not clear how Tiebout can be scaled up to be used as a model for interregional distributions. It would require extremely high levels of mobility for public choice processes to satisfy consumption and amenities preferences at higher geographical scales, as well as political systems designed so that distant local and regional governments could respond to the large-scale process of people sorting by adapting their supply. Some of this clearly does go on, especially in the USA. We lack hard evidence on how important a phenomenon it is and whether it performs as predicted by the theory. It also imposes costs on pre-existing ways of life through gentrification and emptying out, as noted above.

Some analysts would characterize Tiebout less as a public choice theory of local government (local government as Leviathan) and more as one where local government is a mirror of median voter preferences. In these circumstances, sorting will reduce some problems of revealing preferences and of choice. In the pure version, where there are infinite local governments (and perfect mobility), some aggregation problems disappear, but of course at the price of realism. Even when the benefits of Tiebout sorting are maximized, then, substantial social choice issues will remain unsolved. For example, at most levels of spatial organization (e.g. municipalities) there are principal–agent structures and sunk

costs (expensive to change things) that impede the supply of local public goods and regulations from changing very fast.[3] Moreover, when one ‘buys into’ a place, usually one is buying a desired attribute that may be bundled, through the fixed infrastructure, with other aspects one does not want, so there is still going to be considerable ‘impossibility’ of supplying preferences (Manville and Storper, 2006).

Every geographical unit is an aggregation of other units. The smallest unit is, of course, one person on a square metre of land. Once we use any other scale of place, we are aggregating people, territory and resources, and the conflicts over who wants what and who gets what is intrinsic to this aggregation. If we do not aggregate – i.e. we break the world into smaller and smaller units – some of the collective action problems disappear ‘within’ the smaller units, but then they merely reappear as relations ‘between’ these units, unless they are in autarchy.

With limited disaggregation of places, bundling inside them and mobility costs, then, we are back to the world that Tiebout public choice theorists want to avoid, one with Condorcet problems (A is preferred to B, B to C and C to A, so that highly desirable outcomes are not considered) and hence social choice dilemmas.

The problems are not confined to the choice or ‘supply’ side; they also concern how the people (‘principals’) of places decide what public goods their place will offer in the ‘marketplace’ at the interregional scale. It is unclear whether places are acting by choice to offer something or by constraint, in a system of specialization and trade and territorial competition (Donahue, 1997). The sword of Damocles is close to the neck of every place in such a competitive system. One example of the results of this is excessive subsidies offered to attract economic activity, which distort the efficient pattern of activity. The public choice framework attempts to justify these under the all-encompassing category that they express the preferences of the people in the region, and that competition between places will ultimately limit their distorting effects on specialization and location. But this is a big stretch of the imagination.

Another example concerns the unequal terms of trade to different comparative advantages. Suppose that a region does not have the possibility of specializing in activities that will generate high income. It can specialize in those for which it has a comparative advantage and thereby maximize its potential income under this constraint. It will thereby, we suppose, contribute to the general welfare. If this pattern generates a strong spatial income hierarchy, then we still have an open question about whether lower-income places that ‘do the right thing’ should be beneficiaries of inter-place assistance; we are back to the analysis made earlier (Puga and Venables, 1999). All that is established is that inter-place competition and fragmentation *might* maximize aggregate output.

A full public choice perspective on spatial organization opens up other problems. For the sake of argument, assume that there are two spatial patterns that are, individually, optimal (with respect to some kind of Pareto criterion): a distribution of production activities and incomes; and a distribution of amenities and ways of life. How do we know whether they are jointly optimal? If they are not, then the theory is no longer clear about the relationship of efficiency to justice. There might be a case for people who do not need to work (e.g. rich retirees) sorting themselves efficiently to seek amenities, and thus generating good outcomes for the amenity supply places; but then that just becomes another production sector subject to NEG unevenness dynamics: the nice places get rich and we have to think about the poor places. Alternatively, we can assume that people sort themselves perfectly to jointly optimize all preferences. This requires that preferences for consumption, amenities, work and income be convex and that people be able to use mobility to find the location that optimizes among all their preferences (as assumed in Glaeser, 2008). It also requires the ‘spatial indifference assumption’ about the locational behaviour of firms, i.e. that they be like putty, in order to be able to substitute factors. Under more realistic assumptions, the procedure of public choice could lead to satisfaction of some sets of preferences and many unintended patterns of distribution of others, with unequal distributions of unsatisfied preferences (Schelling, 1984). It will equally be possible that there are whole places that are not getting their ‘justified’ mix of production, income and amenities, and not just individuals that suffer this fate.

Table 1. Interregional outcomes in the Rawls framework

Case	Productivity/ efficiency	Interregional inequalities	Poor region average wealth	Rich region average wealth	Maximin?
1A	Increase	Decline	Increase	Increase	Yes
1B	Increase	Decline	Increase	Decrease	Yes
2A	Increase	Increase	Increase	Increase	Yes
2B	Increase	Increase	Decrease	Increase	No
3A	Decrease	Decrease	Increase	Decrease	Yes
3B	Decrease	Decrease	Decrease	Decrease	No
4A	Decrease	Increase	Decrease	Increase	No
4B	Decrease	Increase	Decrease	Decrease	No

Liberal analytical philosophy: Rawls and Dworkin

Liberal analytical philosophers, exemplified by John Rawls and Ronald Dworkin, have developed alternatives to the standard aggregate social welfare function used in economics, in their attempts to frame standards of justice (Dworkin, 2002; Rawls, 1971). Their fundamental assumptions about the nature of society are in many respects similar to those of most economists: they consider society to be an aggregate of utilitarian, rational individuals. Hence, to the extent that there is anything 'collective', it is the aggregation of individual preferences. Their key invention is in placing a concern with the position in the distributional structure at the core of how individuals define their preferences.

Rawls has an elaborate set of assumptions about how people develop these positionally sensitive preferences. He develops a heuristic device of the original position – a state of nature – where everyone is equal, and then sets people in a world with huge forward uncertainty, so that people cannot know for sure if they will be winners or losers, but they do know that there will probably be some inequality as society becomes more complex. In these circumstances, Rawls argues that people will prefer only unknown inequalities (looking forward), when such inequalities work to the benefit of the least well-off. Nobody wants to take the risk of ending up on the bottom and being absolutely worse off, when the choice is prospective and not retrospective.

This leads to the analytical device known as the *maximin* rule of choice. People will choose to allow increasing inequality if two conditions are satisfied: on the one hand, if it raises efficiency and generates an 'inequality surplus'; and, on the other, if the inequality surplus is divided out in amounts that can simultaneously (a) provide incentives to the highest-paid to generate the inequality surplus through extra efficiency (skill, effort, etc.), and (b) raise the welfare of the least well-off so that they are not worse off in absolute terms than in a world without the inequality surplus. Maximin, in other words, means maximizing the minimum payoff to everybody in the distribution.

To apply this to spatial development requires exploring how maximin affects both people and place distributions. Some targets are easy: one thinks of black ghettos in American cities, where those who are not mobile are worse off as a result of desegregation (Wilson, 1987). And, at various points in the global development process (going back to 19th century), many regions of the world whose industries were destroyed by European import competition ended up worse off and so did many of their individuals (Darwin, 2008). So, under the maximin choice rule, more of the inequality surplus should have been diverted to them.

We can do a thought experiment about combinations of NEG efficiency tests and Rawls' maximin distributions. This is summarized in Table 1. In case 1A, there is an increase in total output and a decrease in interregional disparities, where the wealth of the

rich increases but the wealth of the poor regions increases enough to cause the disparities to fall. In Case 1B, by contrast, if the wealth of the rich regions declines, then the wealth of the poor must increase enough to allow total efficiency to rise, a condition that has rarely been seen in the industrial era since 1820. In case 2A, where there is an increase in total efficiency but an increase in disparities, we are on the ground of typical NEG results. If the wealth of poor regions increases, then the wealth of rich regions must rise more to generate the increase in inequalities, but this result satisfies the maximin test. If the wealth of the poor falls, by contrast, then the wealth of the rich region must rise by a larger magnitude in order to generate the increase in total output, something that is indeed possible but does not satisfy maximin (case 2B).

Turning to the cases where overall output or productivity decreases, in case 3A there is also a drop in territorial inequalities. If the wealth of the poor regions increases, then the wealth of the rich ones must decline in greater magnitude in order to generate the decline in inequalities; this is the ‘shrinking pie’ that is deplored by many inequality-favourable perspectives on growth. It satisfies the maximin test, but not in a very happy way. In case 3B, if the wealth of poor regions declines, then the wealth of the rich must decline even more to generate the decrease in inequalities – a sort of return to the pre-1820 world. In case 4A, there is a decrease in output and an increase in disparities – something like the worst of all worlds. If the wealth of rich regions rises, the wealth of the poor ones would have to decline in greater proportion in order to generate the decrease in output, and clearly this does not satisfy maximin and no inequality surplus is generated. In case 4B, if the wealth of the rich regions falls, then the wealth of the poor must fall even more in order to reduce inequalities; again, there is no inequality surplus and no maximin.

Thus, some increases in territorial inequalities could survive the Rawls test, especially within countries or highly integrated and highly developed trading areas. It is possible that both the worst-off individuals and the average development levels of the worst-off territories are better off with the inequality than without it. Notice that some such cases thus survive both the NEG test and the Rawls test (1A, 1B, 2A). Moreover, there are cases (3A) that survive the Rawls test but not the NEG test.

Things become more complicated when people and place distributions conflict using the maximin test. What if the worst-off people are worse off in one place but not in the other? What if, using per capita income levels, the worst-off places are better, but some people in some places are worse off? These are not necessarily fatal blows; indeed, they open up fascinating questions for empirical research on the effects of spatial development that go beyond those asked by the standard paradigm. Moreover, the maximin rule could be used to support many different policy recommendations. For example, the worst-off in one place could be encouraged to move to another place if it would move their incomes into the maximin bandwidth of being better off; this is more restrictive than the standard social welfare function, which can be used to suggest mobility if it makes them better off than their worst fate, but not necessarily better off in absolute terms. Under this scenario, it is conceivable that such promises for the outcomes of mobility could not be fulfilled (Charlot et al., 2006).

Alternatively, some of the inequality surplus linked to the combination of spatial and interpersonal inequality could be transferred, but divided into people and place transfers in a way that would cause both to fulfil the maximin test. The people and place distributions would be brought under a single umbrella for simultaneous consideration.

Where neither of these compensatory measures is feasible (whether because mobility does not work or because there is insufficient inequality surplus to ensure people and place satisfaction of the maximin rule), then it is conceivable that Rawls’ social welfare function would exclude forms of spatial inequality that are allowed by NEG reasoning about efficient geographical patterns of output and income.

Ronald Dworkin, the other pillar of contemporary liberal, analytical, utilitarian theories of justice, introduces a nexus of additional inequality-generating factors, including ability, resources and effort. He concludes that inequalities that are the result of differential effort are not of concern, but, when equal abilities are combined with unequal resources,

unjustified inequalities will come about. Inequalities owing to different abilities, by contrast, can be tolerated if they contribute to overall social welfare (Dworkin, 2002).

It is more difficult to transpose this framework to territorial inequalities, because the categories of ability, resources and effort do not scale up to the level of whole economies in a clear way. However, a rough translation would be as follows: in economics, 'resources' is something like factor endowments; 'ability' is production technique; and 'effort' is whether a region achieves the institutional conditions to maximize its performance given the first two. Thus, Dworkin's reasoning suggests a point that might apply to the question of spatial economic development. Dworkin argues forcefully that if someone is doing the best s/he can (the 'effort' criterion) with the resource endowments s/he has been given, then that is what we should expect of them, and any inequality suffered that is not due to being lazy (insufficient effort) should be compensated. In the world economy, there could be cases of exogenous shocks, such as terms of trade movements, that penalize places, and have nothing to do with their effort but are the result of bad luck. Dworkin's framework, applied to these cases, suggests that they should not have to take the whole hit and he proposes institutional mechanisms for avoiding these consequences: pervasive forward insurance schemes against these vagaries of the economic process. Though he does not spell out precisely what they would look like, he opens up an intriguing notion about how places could finance certain forms of future development aid and how places could be provided with incentives to do the best they can, knowing that they would be protected if it does not work out (Sen, 2009).

Conserving ways of life or compensating their loss?

By 'conservatives', we mean not the American libertarians or 'small government' ideologies but the desire to 'conserve' traditions and ways of life. This may or may not involve an ideology of small government (in many European countries, conservative Christian Democrat parties are often in favour of big government). What makes them conservative is the attachment to some notion of place as based in traditions of the communities of persons who live there and their ways of life (Letwin, 1983).

These are normative frameworks that do not take into account the people–place aggregation problem, because individuals are identified with the collective of which they are said to be members (as in European Union, 2004). There is, therefore, no principal–agent problem, since the agent acts in the name of a unified 'people' and its place. Conservatives fail to articulate clearly what it is about the collective 'way of life' that constitutes the standard for justice, and why this takes precedence over the preferences of the individuals that make up the collectivity (Arrow, 1951; Olson, 1965). They consider it self-evident that they are largely one and the same.

Sometimes these preferences can be subjected to referendum. The San Fernando Valley, which represents 40 percent of the City of Los Angeles, tried to secede but 55 percent of its voters decided to remain within the city. Opinion polls show that the Corsicans would not separate from France if given the choice, and the Flemish would not secede from Belgium if they were to vote on the question. But, in these cases, there is still a significant minority preferences problem. Substantial numbers of Corsicans or San Fernando Valley residents might want independence, but they are unlikely to get it. Does their desire for an alternative way of life require compensation for the fact that they cannot have it? Would it not be paradoxical to compensate individuals for the fact that they cannot have the collective way of life they desire, while the majority of those who have it have given it up? Beyond the individuals, there is the question of whether places benefit on average from autonomy. If a region chooses autonomy and gets an economic dividend from it, then it does not deserve compensation from other places; but what if the union from which it secedes suffers as a result? Or vice versa: a region that chooses autonomy because its majority decides to conserve its collective way of life – the Scottish in recent years – and they are economically damaged by that choice, do they deserve compensation or is it 'their choice to pay the price for their way of life'? What level of inter-place

transfers is just in these cases? What should be done if a third alternative, such as staying together but in different circumstances, would satisfy more preferences than the two on offer?

There are some clear ways in which the collective way of life determines the extent to which its member individuals can practise that way of life. Let us assume (for the sake of example) that a strongly majoritarian decision has been made for a certain type of change, but the change has unintended or external effects. Certain economic development pathways can make it impossible for pre-existing livelihoods to exist; certain cultural practices have minimum thresholds for participation in order to survive as collective practices; certain public goods can be crowded out by privatization. By contrast, there are areas where the collective way of life can change but individuals can enjoy the freedom to conserve, by choice and in private networks, the practices that they desire. In the former case, the question of compensation arises, at least for the transition, for those people who are forced to abandon the life they had by the external effects of others' choices. And some of this compensation would likely be inter-territorial (for example, trade adjustment assistance to people made more or less permanently unemployed by activities that move abroad). So the conservative position requires defining what it is about the collective way of life that deserves conserving. This has to be done by showing that a fairly strong majority of people really want it and know the trade-offs that it might imply; and that, where there are strong minorities who are damaged by unintended or external effects that cannot be got round in private, they have a case for compensation. The conservative position also requires showing why other alternatives could not better accommodate the desires for both conservation and change.

There are left-wing versions of this conservative position in the form of the defence of the 'ways of life' of the dominated or displaced groups, such as when gentrification disrupts the social and class fabric of urban neighbourhoods, or reorganization of the economy causes economic decline and out-migration from old manufacturing regions. The Left tends to be cosmopolitan when it comes to defence of the 'ways of life' of the traditionally dominant cultures but conservative when it comes to defence of the ways of life of those whom it sees as the dominated or displaced in the sense that within these groups there may be forms of social and economic inequality that are not discussed in the face of the 'external' enemy. We need for it to be more clearly articulated why one way of life has a more legitimate claim to be conserved than the other (Lear, 2006).

A case that does fit the Left's perspective is that of ways of life that come into contact with foreign ways of life that are materially and technologically more powerful than them and where the contact clearly threatens the viability of the first group's way of life. This would be a typical case of 'indigenous' peoples and their regions that are exposed to the global economy today (as in the past). Nobody is asking them whether they want to give up their way of life (no voting occurs). Moreover, much of the contact fails the Rawls maximin test: not only do they lose their collective way of life, but many of them end up substantially less well off as individuals. Information and choice are so asymmetrical here that a case can be made that the process is unjust. If we ask them what they want, they might say, as have the Inuit in Canada or the people of Greenland, that they want greater autonomy. Having then achieved that, is compensation still due to peoples who have explicitly chosen to be materially poorer in order to keep their collective way of life in their territory? None of the perspectives we have examined thus far – economics, liberalism, public choice or conservatism – can answer this. Yet the process of further globalization is likely to pose it over and over in the future (Benhabib, 2006; Crocker, 2008).

Social choice and geographical inequalities

The notion of social choice – the idea that we can understand and act on collectively shared preferences – has a rocky history. From Lionel Robbins and Kenneth Arrow, most attempts to theorize it come up with the conclusion that it is impossible (Arrow, 1951; Robbins, 1938). Modern institutional economics concurs that most attempts to create organizations or institutions to do things collectively,

although sometimes necessary, are fraught with frustrated preferences and a tendency to stagnate (Olson, 1965). Only when market failures are huge are these down-sides smaller than gains. If applied to economic geography, this pessimism suggests that social choice cannot be used to define what people would consider a just distribution of resources, either inside territories or between them. But, as we have seen thus far, those approaches either ignore place–people differences in defining justice or are highly indeterminate with respect to them.

This indeterminacy is the central focus of Amartya Sen's reformulation of the social choice framework (Sen, 2009). Social choice is not impossible if it is dealt with in a pragmatic way, rather than basing it on mathematical analyses that seek only to identify utilitarian maximization (whatever is to be thus maximized). Sen's alternative focuses on comparatively better outcomes, not on 'transcendental' optima. It recognizes the inescapable plurality of competing notions of what is good and desirable.

Nevertheless, this complexity is not a reason for defeat, as in the Robbins–Arrow tradition. Instead, Sen suggests that we should accept partial resolutions and incomplete social choices. It is acceptable to do better and not necessary to achieve 'the single best' possible outcome. In order to do 'better', the framework has a different process structure from Robbins–Arrow–Rawls approaches. It allows that we should admit a diversity of interpretations and inputs, and build in and facilitate re-examination.

Such diversity can have a dark side, a Pandora's Box of distasteful preferences, spurious assumptions and non-reason. What would Sen do to limit 'the passions and the interests' (Hirschman, 1997)? The inescapable messiness he proposes is not unbounded or unstructured. The diversity that is admissible has to be based on precise articulation of claims and interpretations, using the tools of reason to do so. Here, it explicitly affirms the Enlightenment heritage of Adam Smith that links rationality and morality (Smith, 1790). To anticipate his critics, Sen argues that the Enlightenment's claims about the usefulness of reason were deformed when they were linked to the requirement that they lead always to 'first-best' solutions expressed in mathematical terms or that they be based on a utopian state of perfect communication. In this sense, mathematical models of impossibility yield heuristic and informational inputs to the wider debate (among the great diversity of inputs needed); they lead not to resignation and 'public choice' results but to the need for a process based on public reasoning to reach messy, pluralistic, partial – but better and social – choices. As we shall see, this proposition is not naive in an inter-territorial context: if places want to be helped by other places, they can be constrained to play what is a messy social choice game by some agreed-upon rules of process and justification, and how well this is done will depend on the institutional organization of the social choice process.

The status of place and space in a social choice framework

Part of Sen's pragmatic approach to social choice is an openness about the units that should choose. Territories or regions are not identified as such, but many social groups that are rooted in territories are mentioned, as are problems of uneven economic development and issues of social rights and political processes in a complex, intertwined global system. There is a wealth of social science evidence that shows the existence of territorially differentiated identities and preferences. De facto, then, people would seem to want to make choices about issues that are territorially patterned and bounded or involve relations between territories (Rawls, 1999).

But there is also a wealth of social science evidence that shows that other, non-territorial groupings – class, education status, ethnicity (to the extent it is not territorially bounded), lifestyle, gender, sexual preference, and so on – matter for people. They do not necessarily conflict with territorially rooted preferences, but they 'fragment' choice sets and can lead to arbitraging. Geographers like to claim a special status for place, but have not carried out a systematic research agenda to confirm this status and how it interacts with the other lines along which people can potentially choose. So, a better empirical basis is needed in order to establish the importance of geographical social choice. Put bluntly, we cannot take the geographical units for granted; we have to find

out who wants to be aggregated with whom and for which choices. Thus, the kinds of things we need to know more about include: what are people's attachments to place as such; do individuals consider place in an individualistic and utilitarian way (what it can do for me), in collective ways (what I like about it) or in a collective but utilitarian way (what it does for us)? According to Sen, we can accommodate potentially all of these in a pluralistic framework; but first we need to know what they are.

How do we accommodate the immanent but unobservable utilities of place? These are aspects of being in a place that help and hurt us in ways we do not see clearly, and especially not over the relevant time horizons. Collective place characteristics impose principal–agent limits on our individual aspirations, but belonging may also help us clarify who we are and in some ways offers choice sets that are not available on a strictly individual basis. Place-as-community both blocks and empowers individuals, but how does it also block and empower groups in different places in relation to one another (Storper, 2008)? And does a social choice process have a role in making these unobservables more transparent so that they can become objects of choice processes? Once we know these things better, it would be possible to ask how the standard criteria applied to inter-place relationships (aggregate welfare maximization) relates to different subjective preferences for place. This would enable us to generate a modified social welfare function that incorporates people and their places, and this could then be the starting point for social choice processes across places. This is a complex task, but until it is done, social science doesn't have much to say that is solid about the subject.

Territories, information and uncertainty

Any notion of setting up a just process with respect to places holds that such a process delivers outcomes that are 'fair' with respect to what people want, or prefer, under some set of constraints. The problem with territorial development, like all economic development, is that it is radically uncertain and non-transparent over any relevant time framework. Most people have little idea, when they make present-day choices, of how those choices will interact with a multitude of other forces and thus influence outcomes down the line. This uncertainty applies both to the individuals within a place and to people in one place making choices that affect the lives of people in other places. Part of the uncertainty is caused by limited rationality, or common behavioural errors: short-term horizons; framing; herd effects; limited investment in thinking and gathering information, and so on. But much of it is that, even if all those errors were corrected, development is too noisy and complex to model with any level of certainty.

This is one reason why Rawls' notion of starting from a *tabula rasa* of the 'original position' may be interesting in a moral sense. It suggests that people do not want to be made worse off by unknown future events. But Rawls' solution to this dilemma of forward uncertainty is that there should be a 'master game' where we work out the bottom line of maximin for the future. It is a very impractical suggestion about institutional structure. Sen's pragmatic social choice framework accepts the incompleteness of what we can know and even of the solutions we can conceive, and that self-interest, bad faith and opportunism will not go away. But we can muddle through them somewhat better by trying to develop better information and by distributing this information more completely to the principals and aligning principals and agents better. Doing so would strengthen the use of reason as a defence against pervasive behavioural bias, passion and manipulation. Sen's proposal could sound naive if it were formulated as a once-and-for-all utopian state of the world; but, formulated as a framework for content and substance, it is a pragmatic guidepost for improving the messy process and its outcomes.

Social choice and economic geography

Some kind of inter-territorial assistance and redistribution probably has to happen in a world where development's efficiencies are so tightly linked to the creation of inter-territorial inequalities. It matters little whether in the very long run there are tendencies

towards convergence, or whether aggregate economic output is maximized via developmental inequalities; in any reasonable short to medium run, both territorial and interpersonal inequalities are the corollaries of development and, for political, humanitarian and economic reasons, they require attention. The challenge to territorial policy is to minimize its potential inefficiencies, dead weight costs and unintended effects.

A social choice framework that embraces a plurality of goals, however, holds that 'efficiently' cannot be understood exclusively as achieving an optimal one-period allocation of resources. Some of the 'inequality surplus' in the world should be systematically invested in assistance, and this assistance should be guided by a deeper understanding of preferences for place development. It does not suggest investing the surplus in the service of any single goal of, for example, interregional equality.

What does 'development' mean? It involves some combination of individual 'people' welfare and average 'place' welfare. But the precise definitions of these and how they relate to each other quantitatively and qualitatively cannot be predetermined, nor need they be identical for all places (one size does not fit all); once again, we need to know what the preferences of people in specific places are for these two distributions (Pike et al., 2007). Because these preferences can differ, there can be a plurality of legitimate possible outcomes. In combining redistribution of the inequality surplus with conditionality that it be used in accordance with the agreed-upon goals, and admitting a certain degree of autonomy of places in determining their desired people–place distributions, the pluralistic aspect of social choice takes a concrete territorial form.

These goals may be conceptually simple but they are empirically messy. As a result, giving administrative form to them is a huge challenge because bureaucracies have little ability to handle empirical messiness. One need think only of the European Structural Funds or US federal assistance programmes to cities to see this. They are largely reduced to checklist-type formulas, justified usually by simplistic cost–benefit analyses (often themselves using incorrect assumptions). Paradoxically, such procedures do incorporate messiness, as when simple behavioural bias or political pressure leads the bureaucracies to cook the books in order to justify in spite of the evidence. This is why well-meaning bureaucracies are resistant to complexity and messiness: it is the Pandora's Box of 'anything goes'. To implement a pragmatic but reason- and evidence-based social choice framework for territorial development assistance would indeed be a huge challenge in nothing less than the reinvention of public administration (Farole et al., 2010). Such an effort has begun to be undertaken by the European Commission in its reconsideration of the cohesion funds (Barca Report, 2009).

The substance of development in a social choice framework

Calling for pluralism in social choices is problematic for policy, even with the process guideline identified by Sen; that is, that social choice has to be defended by reason. Reason eliminates some of the potential cacophony of pluralism, but not all of it. The problem is that one place may make different social choices than another place, but then these choices are going to be used by some places to make claims on the resources of other places or on the rules of their future interactions.

For example, what if certain places do not want to maximize their contribution to world income; that is, they do not want to raise the potential global surplus, because they are 'innovation averse' and have a collective preference for more internal 'solidarity' (Pearce et al., 2006; Rodriguez-Pose, 1999)? What if some region says that it contributes something 'other' than income, for example diversity externalities or 'authentic' experiences or 'our way of life'. Does it still have a legitimate claim on part of the surplus of the regions that maximize income? In other words, is not calling for pluralism, diversity and (economically) non-optimal choices just an infinite regress of the social choice problem? Why should the places with big inequality surpluses help other places to do things they might not entirely agree with as goals?

One way into this is to define more general goals that all can agree on, rather than optimums within

narrow bounds. Sen (2009) suggests that there are universal goals: freedom and liberty; the ability to live our lives and be happy; and development of our capabilities. Of course, different individuals, groups and territories might fill in the detail on these goals in rather different ways. But insofar as they do so using the universal procedure of reason as a way to defend their choices to outsiders, a case can be made that they are legitimate goals (Crocker, 2008).

In relationship to inter-territorial distributions of resources, the question then becomes: how could inequality surpluses be sued to advance these goals? Inter-place justice can be thought of in this regard as a semi-contractual relationship, with places helping each other to advance in the process of each making its social choice, through the process of reason and within the general space of these inter-territorially agreed-upon goals. Social choice concerns development, but where development does not necessarily reduce to the single metric of income. Development choices have to be defensible within the general categories agreed upon between territories to make them eligible to potentially receive the inequality surpluses generated by other places. And there obviously have to be counter-party rights; that is, living up to obligations that come with taking inequality surpluses. The contractual lever – play by the broad lines of substantive goals and the process of reason or forgo your share of the inequality surplus – is a potentially powerful lever. The ability to define one's own goals, preferences and values in doing this is a powerful incentive within these constraints.

A way forward

Every one of the perspectives reviewed here has a valuable contribution to make to a potential normative framework for economic geography and its practitioner fields of urban, regional and development policy. Sen has proposed a way of tying the various threads together, with his potent suggestion about the rules of process as grounded in reason and the plurality–uncertainty–messiness framework for outcomes. However, if such a putative framework is to incorporate the valid insights of different specific areas identified by theory – new economic geography, new urban economics, market failure economics, public choice theory, liberalism and conservatism – there are huge empirical gaps. We know surprisingly little about people and place preferences and their effects. People and groups of them in places know surprisingly little about the effects of their choices over time and space. These 'principals' are in the dark about what they might want if they knew more, and scholars are in the dark about what they want. If territorial interdependence is to continue to grow in the 21st century, then economic geography should have something more to tell territories – neighbourhoods, cities, regions and nations – about a just way of relating to one another. The field is poised with rich insights that now could be immeasurably strengthened through this kind of empirical research and further theoretical integration. This may be one of the most important potential contributions to well-being that could be made by the field of economic geography.

Notes

This article is based on a talk delivered at the Association of American Geographers Annual Meeting in Washington DC, April 2010, at the invitation of the editor of *European Urban and Regional Studies*, Professor Diane Perrons. I am grateful for the feedback on a previous version of this article from Diane Perrons, Susan Fainstein, Andres Rodriguez-Pose, Michael Manville and an anonymous referee.

1 The two recent book-length treatments of spatial and urban justice (Fainstein, 2010, and Soja, 2010) were published shortly after this article went to press and therefore have not received full consideration in this article.

2. Dunford and Yeung (2011 - this issue) have a detailed examination of changing patterns of income in the world, and these patterns are in part driven by the spatial concentration of economic activity.

3 Principal–agent theory would consider the citizens or voters of a local jurisdiction to be the principals and the officials to be their agents. The problem is that these agents will do the bidding of what they take to be majorities, but in doing so will leave a lot of minority preferences unsatisfied.

References

Amsden AH (2001) *The Rise of the 'Rest': Challenges to the West from Late-industrializing Economies*. Oxford: Oxford University Press.

Arrow K (1951) *Social Choice and Individual Values.* New York: John Wiley.

Bairoch P (1997) *Victoires et déboires: Histoire économique et sociale du monde du XVIème siècle á nos jours*. Paris: Gallimard.

Baldwin R, Forslid R, Martin P, Ottaviano GIP and Robert-Nicoud F (2003) *Economic Geography and Public Policy*. Princeton, NJ: Princeton University Press.

Barca Report (2009) *The Union and Cohesion Policy: Thoughts for Tomorrow*. Brussels: European Commission, available at http://ec.europa.eu/regional_policy/policy/future/barca_en.htm

Barro R (1996) *Determinants of Economic Growth: A Cross-country Empirical Study*. Cambridge, MA: NBER Working Paper 5698. Available at: www.nber.org

Barro R and Sala-i-Martin X (1995) *Economic Growth*. New York: McGraw-Hill.

Bénabou R and Tirole J (2005) Belief in a just world and redistributive policies. Mimeo, Princeton University, Department of Economics.

Benhabib S (2006) *Democracy and Difference*. Princeton, NJ: Princeton University Press.

Buchanan J and Tullock G (1962) *The Calculus of Consent*. Ann Arbor: University of Michigan Press.

Charlot S, Gaigné C, Robert-Nicoud F and Thisse J-F (2006) Agglomeration and welfare: The core–periphery model in light of Bentham, Kaldor and Rawls. *Journal of Public Economics* 90: 325–347.

Ciccone A (2000) Agglomeration effects in Europe. *European Economic Review* 46, 213–227.

Combes PP, Mayer T and Thisse J-F (2008) *Economic Geography*. Princeton, NJ: Princeton University Press.

Cowen T (2004) *Creative Destruction: How Globalization Is Changing the World's Cultures*. Princeton, NJ: Princeton University Press.

Crocker D (2008) *Ethics of Global Development: Agency, Capability, and Deliberative Democracy*. Cambridge: Cambridge University Press.

Darwin J (2008) *After Tamerlane: A Global History of Empire since 1405*. New York: Bloomsbury Press.

Donahue J (1997) Tiebout? Or not Tiebout? The market metaphor and America's devolution debate. *Journal of Economic Perspectives* 11: 73–81.

Drennan M, Tobier E and Lewis J (1996) The interruption of income convergence and income growth in large cities in the 1980s. *Urban Studies* 33(1): 63–82.

Dunford M and Yeung G (2011) Towards global convergence: Emerging economies, the rise of Chinaand western sunset? *European Urban and Regional Studies*. 18 (1): 22–46.

Duranton G and Puga D (2004) Micro-foundations of urban agglomeration economies. In: Henderson JV and Thisse J-F (eds) *Handbook of Regional and Urban Economics. Vol. 4, Cities and Geography*. Amsterdam: Elsevier, 2064–2117.

Dworkin R (2002) *Sovereign Virtue: The Theory and Practice of Equality*. Cambridge, MA: Harvard University Press.

European Union (2004) Exploiting Europe's territorial diversity for sustainable economic growth. Ministerial Conference document, Rotterdam, 29 November.

Fainstein S (2010) *The Just City*. Ithaca, NY: Cornell University Press.

Farole TC, Rodriguez-Pose A and Storper M (2010) Cohesion policy in the European Union: Growth, geography, institutions. Working Paper, Review of Cohesion Policy ('Barca Report'), Directorate XII, European Commission, Brussels.

Fleurbaey M (2007) Social choice and just institutions: New perspectives. *Economics and Philosophy* 23: 15–43.

Fujita M and Thisse J (2002) *Economics of Agglomeration: Cities, Industrial Location and Regional Growth*. Cambridge: Cambridge University Press.

Fujita M, Krugman P and Venables A (1999) *The Spatial Economy: Cities, Regions and International Trade*. Cambridge, MA: MIT Press.

Glaeser EL (2008) *Cities, Agglomeration, and Spatial Equilibrium*. Oxford: Oxford University Press.

Harvey D (1973) *Social Justice and the City*. Baltimore, MD: Johns Hopkins University Press.

Hirschman A (1997) *The Passions and the Interests*. Princeton, NJ: Princeton University Press.

Just R (2004) *The Welfare Economics of Public Policy*. Cheltenham: Edward Elgar.

Kaldor N (1939) Welfare properties of economics and interpersonal comparisons of utility. *Economic Journal* 49: 549–551.

Krugman A (1991) Increasing returns and economic geography. *Journal of Political Economy* 99: 483–499.
Lear J (2006) *Radical Hope: Ethics in the Face of Cultural Devastation*. Cambridge, MA: Harvard University Press.
Letwin W (ed.) (1983) *Against Equality: Readings on Economic and Social Policy*. London: Macmillan.
McCann P (2001) *Urban and Regional Economics*. Oxford: Oxford University Press.
Manville M and Storper M (2006) Behaviour, preferences and cities: Urban theory and urban resurgence. *Urban Studies* 43(8): 1–28.
Martin P (2005) The geography of inequalities in Europe. *Swedish Economic Policy Review* 12: 83–108.
Midelfart-Knarvik H and Overman HG (2002) Delocation and European integration: Is structural spending justified? *Economic Policy* 17: 322–369.
Nagel T (2005) The problem of global justice. *Philosophy and Public Affairs* 33: 115–150.
Olson M (1965) *The Logic of Collective Action: Public Goods and the Theory of Groups*. Cambridge, MA: Harvard University Press.
O'Rourke K and Williamson JG (1999) *Globalization and History: The Evolution of a Nineteenth Century Atlantic Economy*. Cambridge, MA: MIT Press.
Pearce D, Atkinson G and Mourato S (2006) *Cost–Benefit Analysis and the Environment: Recent Developments*. Paris: Organisation for Economic Co-operation and Development, 41–62.
Pike A, Rodriguez-Pose A and Tomaney J (2007) *Local and Regional Development*. London: Routledge.
Pogge T (2002) *World Poverty and Human Rights: Cosmopolitan Responsibilities and Reforms*. Cambridge: Polity Press.
Puga D and Venables A (1999) Agglomeration and economic development: Import substitution versus trade liberalization. *The Economic Journal* 109(455): 292–311.
Rauch JE and Trindade V (2005) Neckties in the tropics: A model of international trade and cultural diversity. NBER Working Paper, Cambridge, MA, available at http://www.nber.org/papers/w11890.
Ravallion M and Jalan J (1997) *Spatial Poverty Traps?* Washington, DC: World Bank Policy Research Paper no. 1862.
Rawls J (1971) *A Theory of Justice*. Cambridge, MA: Harvard University Press.
Rawls J (1999) *The Law of Peoples*. Cambridge, MA: Harvard University Press.
Rawls J (2001) *Justice as Fairness: A Restatement*. Cambridge, MA: Harvard University Press.
Robbins L (1938) Interpersonal comparisons of utility: A comment. *Economic Journal* 48(192): 635–641.
Rodriguez-Pose A (1999) Innovation prone and innovation averse societies. Economic performance in Europe. *Growth and Change* 30: 75–105.
Roemer JE (1996) *Theories of Distributive Justice*. Cambridge, MA: Harvard University Press.
Schelling T (1984) *Choice and Consequence*. Cambridge, MA: Harvard University Press.
Scitovsky T (1941) A note on welfare properties in economics. *Review of Economic Studies* 9(1): 77–88.
Sen A (2009) *The Idea of Justice*. Cambridge, MA: Harvard University Press.
Smith A (1790) *The Theory of Moral Sentiments*, edited by Raphael DD and Macfie AL. Oxford: Clarendon Press.
Soja EW (2010) *Seeking Spatial Justice*. Minneapolis: University of Minnesota Press.
Storper M (2008) Community and Economics. In: Amin A and Roberts J (eds) *Organising for Creativity: Community, Economy and Space*. Oxford: Oxford University Press, 37–68.
Tiebout C (1957) A pure theory of local expenditures. *Journal of Political Economy* 64: 416–424.
Wilson WJ (1987) *The Truly Disadvantaged. The Inner City, Race and Public Policy*. Chicago, IL: University of Chicago Press.
World Bank (2009) *World Development Report: Reshaping Economic Geography*. Washington, DC: World Bank.