Title
Keys to the City: How Economics, Institutions, Social Interaction, and Politics Shape Development By Michael Storper

Journal
Berkeley Planning Journal, 27(1)

Author
Olsen, Aksel

Publication Date
2014

DOI
10.5070/BP327124507

Keys to the City: How Economics, Institutions, Social Interaction, and Politics Shape Development

By Michael Storper

Princeton University Press, 2013

Reviewed by Aksel Olsen

Why do some city regions grow and others decline over time, and what are the defining local differences that make it so? Such complex questions are what motivate Michael Storper, one of the most cited economic geographers, in his new book, *Keys to the City: How Economics, Institutions, Social Interaction, and Politics Shape Development*. This wide-ranging work is hard to pigeonhole into the disciplinary boxes of fields—geography, economic history, and economics—that typically deal with such questions. Indeed, in *Keys to the City*, Storper is interested in connections between the different disciplinary optics.

Playing Chicken with the Economists

Storper begins with a larger, but important, conversation among urban economists about the main drivers of regional growth: When the national map of urban growth changes, is it best explained by migration flows to new regions, with jobs following once this population base is in place, or is it the reverse? Is migration the chicken or the egg, as Muth (1971) seminally asked it?

In urban economics, it is commonly assumed that urban systems are in perfect spatial equilibrium (Glaeser and Gottlieb 2009) and that one cannot be made better off by moving to another place—the great amenities of San Francisco, New York, or Denver are perfectly offset by higher costs, traffic, or crime. Thus, people trade off amenities, income and housing costs, and price adjustments in real wages to ensure equilibrium. Consequently, the national system is "stable" and reflects an aggregate of individual preferences (and, of interest to planners, place-based policy is often seen as a counterproductive hindrance to economic efficiency). In this framework, exogenous changes to amenities—like the widespread introduction of air conditioning in the postwar years—can fundamentally change migration patterns and thus the new growth poles of the economy. Migration, in this common view, is the "chicken," the leading indicator of future growth.

Storper argues this framework is not convincing: the postwar migration to the South by many industries predated the widespread adoption of air conditioning, and there are too many outliers in the data, with high-amenity regions not being characterized by low real wages, but the opposite. Storper instead presents a geographic variant of the product cycle argument—by 1950 many "Rust Belt" industries had reached a critical state of maturity and standardization of the manufacturing process. This meant they were less tied to specific places like Detroit and could move to greenfield sites in the South, where cheap land and nonunionized labor were increasingly available.

Coupled with the pull factors of strong local economic development policies in the South as well as the nascent interstate highway system, the pieces were in place for a shift, but the initial trigger, according to Storper, had to do with the changing geography of production, not arbitraging of amenities.

Bringing the Key Chain

This fundamental growth question animates much of the book. Its title reflects Storper's various analytical angles to city development, where each angle afford different types of questions, methods, and, accordingly, unlocked insights. To get to the enigma of differential city growth, then, we need all the analytical windows (the "keys"), not just one of them.

The keys to Storper are the four analytical contexts of economics, institutionalism, social interaction, and political or normative.

- The *economic framework* deals with industry concentration and the nature of innovation and explanations for substantially diverging prices and wages.
- The *institutional framework* deals with how economic systems are constituted through not just individuals but collective action more or less effective at bridging interests and exogenous changes in market conditions.
- The *social interaction framework* is about the enduring role of face-to-face interaction in the context of declining transport costs.
- The *political-economic framework* raises questions about efficiency and equity and what it means for highly distributed economic systems.

Overall, Storper widens the discussion by inviting in a large set of perspectives to the innovation and development process, finding it too complex and important to leave to one field alone.

This will surely not be the last book on the topic of the causes of regional development, which is less a criticism of what the book achieves than what is ultimately achievable. The question of why we find technology in San Francisco, finance in New York, and carpet manufacturing in Dalton may still elude us. It is a debate with clear epistemological overtones: What counts as evidence? At what geographic scale? How many outliers invalidate a general pattern? We ultimately have the problem of explaining, over time, millions of decisions that are related to decisions by millions of others in the context of existing economies and policies near and far.

In this conceptual minefield, Storper, in *Keys to the City*, advocates a conceptual "layer cake," the middle ground between, on one hand, "small-N" case studies common among geographers concerned with understanding exceptional cases, and, on the other hand, the economic tradition's main concern "to make predictions that hold generally, not . . . to explain the exact peculiarities of particular places" (Glaeser 2007).

Therein lies Storper's main contribution. *Keys to the City* is foremost a rare conversation between disciplines that opens up fascinating questions at their fault lines: How do institutions help or hinder economic resurgence of regions? Why did LA's aerospace industry fail to retool in the 1990s, leaving the region stagnate relative to San Francisco's? And, morally speaking, if poorer regions merely play their role in the game of equalized national utilities and by so doing contribute to overall economic efficiency, should they be compensated for their "inequality surplus"?

Maybe Storper's key example of the Sunbelt migration as evidence of problems with the general spatial equilibrium framework is too selective. Might the story be different at different times for industries other than manufacturing? And does Storper just pivot us to the other side of a fundamentally flawed and perhaps unproductive avian dichotomy?

Still, this detracts little from the overall qualities of this wide-ranging and ambitious work, which hopefully will be read widely by city and regional scholars.

Aksel Olson is a PhD candidate in the Department of City and Regional Planning at UC Berkeley.