



Two Cheers for the New Economic Geography (NEG)

Harry Garretsen (Utrecht University)



Reasons to be cheerful..... (I)

[What is NEG?]

- (Re-)Introducing Location or Space into Mainstream Economics (NEG=geographical economics)
- Outburst of Theoretical, Empirical and Policy Research
- Merging of Subfields (international-regional-urban economics, recall Ohlin (1933))



Reasons to be cheerful.....(II)

[relevant for the analysis of regional innovation]

- Emphasis on spatial interdependencies in NEG
- NEG strong on “what if” questions
- Focus on location decisions of individual firms
- Emphasis on market structure, constraints

Comparative advantage of NEG



Why not three cheers for the NEG?

- Limitations of neo-classical economics
 - Limited role for institutions
 - Limited role for geography (deliberately?)
 - What about intra-region dynamics?
 - In general, dynamics are lacking (path-dependency)
 - Too much emphasis on theory and formalism?
- and?



NEG and non-NEG: conflicting and complementary approaches

- Plea for methodological pluralism
- As a minimum: know what to disagree with!
- Engage in debate with “old” econ. geography
- Criticizing NEG=criticizing neo-classical economics
- *Examples of the use of NEG for regional (innovation) studies.....*