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## **ASSUMPTIONS: COMPARISON OF FACTOR-MOBILITY AND GOODS-MOBILITY MODELS**

### **OVERALL NEOCLASSICAL ASSUMPTIONS PERTAIN**

1. PERFECT COMPETITION PREVAILS
2. NO TRANSACTION COST
3. NO TRANSPORTATION COST
4. FACTORS (COMMODITIES) ARE HOMOGENOUS
5. FREEDOM OF ENTRY AND EXIT

### **FACTOR-MOBILITY ASSUMPTIONS**

1. SAME TECHNOLOGY AVAILABLE TO ALL COUNTRIES
2. PERFECT FACTOR MOBILITY
3. NO SPECIALIZATION IN TRADE
4. CAPITAL-LABOR RATIOS ARE EQUAL

RESULT: Equal factor prices,  
Equal marginal product of each factor,  
Equal prices of each commodity.

### **TRADE-MOBILITY ASSUMPTIONS**

1. SAME TECHNOLOGY AVAILABLE TO ALL COUNTRIES [NOTE EMPHASIS IS ON "AVAILABLE," CAN HAVE PRODUCT DIFFERENTIATION.
2. NO FACTOR MOBILITY
3. SPECIALIZATION IN TRADE
4. CAPITAL-LABOR RATIOS ARE UNEVEN (SPECIALIZATION IN A PARTICULAR PRODUCT)

RESULT: Equal factor prices,  
Equal marginal physical product of each factor  
Equal prices of a given commodity

## **HISTORICAL VIEWS OF RESTRUCTURING: FOCUS ON THE DIVISION OF LABOR**

- 1. Segmented labor-market analysts** usually deal only with the structure (restructuring) of the labor force, with a few documenting the regional effect, but largely ignoring what simultaneously was happening to the internal organization of the firm. As an exception to this, Harrison (1994) claims that as international competition increases segmented labor markets are becoming more pronounced--a view supported by Tilly and Tilly (1994). Workers within the same firm are differentiated not only in terms of wages, but also in terms of geographical location, with the high-wage core workers located in metropolitan centers and low-wage peripheral workers located in suburban office parks.
  
- 2. Old division-of-labor (ODL) concept**, adapted from Adam Smith's *Wealth of Nations*, as part of a "Fordist model." The model was, of course, named after Henry Ford, who introduced methods of mass production into the automobile industry. Major emphasis in the model is on the use by managers of scientific-management methods, referred to as Taylorism, and other modern labor processes to expand production into new (mainly consumer) markets. "Peripheral Fordism" theorists (e.g., Lipietz 1986) argue that Fordism is both a regime of capital accumulation and a mode of regulation, with the state having the role of regulator. These analysts emphasize the horizontal boundary between segments of the labor market, with distinct labor-market segments and low mobility between segments, as well as mass consumerism, the role of the welfare state, the dominance of the military-industrial complex, and exploitation of third-world resources.
  
- 3. New international division of labor (NIDL)** analysts focus on the restructuring of large corporations, movement of assembly plants away from the main plant, technological changes, and the vertical boundaries separating labor of different qualifications within industrial sectors. In the latter case, the manufacturing process, rather than the sector, is scattered across regions (and among countries), with the design process occurring in the core and deskilled assembly in the periphery. Many of the NIDL analysts focus on the core-periphery dichotomy. They view the labor market as being segmented into:
  - (a) independent primary jobs;
  - (b) subordinate primary jobs, which emerged after the depression; and
  - (c) secondary jobs, i.e., those requiring few skills.

## **CURRENT VIEWS OF RESTRUCTURING: FOCUS ON INDUSTRIAL ORGANIZATION, CAPITAL MARKETS, AND PRODUCTION-PROCESS CHANGES:**

1. success of particular regions and innovation (Italian model)
2. success of competitive firms (Japanese model)
3. success of large and multinational corporations (global model)

(Refer to Table on Comparison of Alternative Models)

**TABLE 1**  
**ALTERNATIVE INDUSTRIAL/REGIONAL RESTRUCTURING MODELS**

<b>ATTRIBUTE</b>	<b>SUCCESS OF SMALL FIRMS ITALIAN MODEL</b>	<b>SUCCESS OF COMPETITIVE FIRMS JAPANESE MODEL</b>	<b>SUCCESS OF LARGE MULTINATIONAL FIRMS GLOBAL MODEL</b>
<b>Competition</b>	Downplayed in favor of cooperation.	Prevails even on shop floor. Only some contracts are long term. Control over time and space. Very competitive in global marketplace.	Driving force of the global firm. Oversee (control) entire supply chain of large and small suppliers.
<b>Collaboration</b>	Joint work on project limited, but can occur.	Long-term contracts between large and small firms.	After downsizing, in core, employer-employees collaborate.
<b>Cooperation</b>	Prevalent form of behavior. Constant product-process innovation. Regional organizations: credit unions, R&D training, and information dispersion.	Limited forms may exist.	Limited forms may exist.
<b>Networks</b>	Occur for small firms in an industrial district.	Not stressed, but exist. Small firms "cluster" near large firms to achieve JIT and information sharing.	Important for firms of all sizes.
<b>Regional</b>	Industrial district as a region is as important as politically determined regions. Network operates within this "region." Strong regional identity.	Small and large firms cluster. Government influential in location decisions, but no specific role for the region.	Core region has innovators and collaborators. Peripheral region has low-cost firms, who employ low-wage and low-skill workers. Networks cross spatial boundaries.

## Does space (do regions) matter?

I maintain that a new development goal is emerging for our nation: "We will need increasingly to be prepared **not** to fight wars, **but** to ensure peace, security (of food, water, and fuels), and sustainability." If this is occurring, how might this affect the underlying institutions, organizations, governance mechanisms, power, control, and regional and income distribution in countries and our views of viable regional development strategies?

## INDUSTRIES, REGIONS, AND RESTRUCTURING

### A. Definitions:

**Chain (supply or commodity):** "A network of labor and production processes whose end result is a finished commodity" (Hopkins and Wallerstein, 1986, p. 159). A global commodity chain "consists of interorganizational networks clustered around one commodity or product, linking households, enterprises, and states to one another within the world economy" (Gereffi, Korzeniewicz, and Korzeniewicz, 1994, p. 2).

Terrence K. Hopkins and Immanuel Wallerstein. 1986. "Commodity Chains in the World-Economy Prior to 1800." *Review*, Vol. 10, No. 1, pp. 157-170.

Gary, Gereffi, Miquel Korzeniewicz, and Roberto P. Korzeniewicz. 1994. "Introduction: Global Commodity Chains." In *Commodity Chains and Global Capitalism*, edited by Gary Gereffi and Miguel Korzeniewicz, pp. 1-14.

**Cluster of Firms:** "A cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities. The geographic scope of a cluster can range from a single city or state to a country or even a network of neighboring countries" (Porter, 1998, p. 199)

Michael E. Porter. 1998. *On Competition*. Cambridge, MA: A Harvard Business School Review Book.

### Types of networks:

- interfirm (component supplier-assembler networks and user-producer networks),
- employment networks,
- innovator networks,
- information and communication networks,
- social networks,
- political networks.

**Characteristics of interfirm networks:**

1. recurring transactions and interactions;
2. long-run stable relationship;
3. creation of pool of knowledge; therefore, contributes to interfirm learning; and
4. may or may not cross spatial boundaries (compare interfirm networks within an industrial district, such as Silicon Valley, versus networks across oceans, such as communication networks).