Entrepreneurship, Innovation and Industrial Development: Geography and the Creative Field Revisited

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ABSTRACT. Creative destruction is a central element of the competitive dynamic of capitalism. This phenomenon assumes concrete form in relation to specific geographical and historical conditions. One such set of conditions is investigated here under the rubric of the creative field, i.e. the locationally-differentiated web of production activities and associated social relationships that shapes patterns of entrepreneurship and innovation in the new economy. The creative field operates at many different levels of scale, but I argue that the urban and regional scale is of special interest and significance. Accordingly, I go on to describe how the creative field functions as a site of (a) entrepreneurial behavior and new firm formation, (b) technical and organizational change, and (c) the symbolic elaboration and re-elaboration of cultural products. All of these activities are deeply structured by relations of spatial-cum-organizational proximity and separation in the system of production. The creative field, however, is far from being a fully self-organizing entity, and it is susceptible to various kinds of breakdowns and distortions. Several policy issues raised by these problems are examined. The paper ends by addressing the question as to whether industrial agglomeration is an effect of producers' search for creative synergies, or whether such synergies are themselves simply a contingent outcome of agglomeration.

1. Introductory Remarks

Throughout his voluminous writings, Marx insisted on the notion of capitalism as a turbulent scene of production and exchange, gripped by the forces of competition in an endless process of self-transformation. In these circumstances, every firm faces a stark choice between the continual need to upgrade its process and product configurations or eventually going out of business. The result is what Schumpeter (1942), in an explicit invocation of Marx, called “creative destruction,” i.e. the periodic abandonment of old equipment, production methods, and product designs in favor of newer and more economically performative assets. At the same time, as both Marx and Schumpeter recognized, creative destruction is inscribed within an ever-expanding sphere of economic activity due to the growth of existing firms, the extension of entrepreneurship, and the appearance of new products on final markets. Capitalism, in brief, is a complex field of forces spurring constant qualitative and quantitative readjustments across all its multiple dimensions of operation (see also Baumol, 2002). Sometimes these readjustments are of cataclysmic proportions, as when steam replaced water-power in the nineteenth century; more often than not, as Rosenberg (1982) points out, they take the form of small, incremental steps, many of which may be minuscule, but which collectively produce the incessant turbulence described by Marx.

Of late years, there has been a considerable outpouring of literature devoted to these matters, much of it partaking of institutionalist and evolutionary economic theory (e.g. Archibugi et al., 1999; Arthur, 1990; David, 1985; Edquist, 1997; Foray and Lundvall, 1996; Freeman, 1995; Lundvall and Johnson, 1994; Nelson, 1993; Von Hippel, 1988). An important aspect of this literature is the emphasis that much of it...
assigns to geography – and above all to the region – as an active force in molding industrial performance qua new firm formation, learning, invention, and growth (cf. Acs, et al., 2002; Antonelli, 2003; Audretsch and Feldman, 1996; Cooke and Morgan, 1994; Feldman, 1994; Howells, 1999; Maskell and Malmberg, 1999; Oinas and Malecki, 1999; Simmie, 2003; Storper, 1995). This expanding interest in the geographic foundations of industrial performance can no doubt in large degree be ascribed to the emergence of a dominant post-fordist (or more simply “new”) economy since the late 1970s and early 1980s, and to the concomitant transformations, often quite radical, of the industrial landscape that have ensued.

For the first three-quarters of the 20th century, the leading edges of economic expansion in the advanced capitalist societies were constituted mainly by fordist mass-production sectors (steel, cars, petroleum products, food processing, and so on). Schumpeter himself, or more accurately, the later Schumpeter, identified sectors like these, with their substantial research budgets and central R&D laboratories, as the principal foci of innovative activity and technical change in the capitalism of that period. Observers of technological change in the post-War decades, such as Mansfield (1968), made much of the distinction between basic and applied research, almost always with the further observation that the latter is in important ways pulled along by the former as engineers and other technical workers translate theoretical ideas into practical blueprints for industrial application.

A complementary view of processes of innovation and change in this period of economic history is encapsulated in the so-called product-cycle model (Vernon, 1966). Here, the analysis turns on the notion that sectors of production and/or systems of applied technology go through a predictable series of evolutionary changes from their moment of inception to their final expression in the form of mature mass production. The model recognizes three main stages of development in any sector, i.e. (a) a period of infancy and experimentation as new technologies and products make their appearance and as small entrepreneurial firms spring into existence in order to exploit them; (b) a period of growth, based on research-intensive process and product development, accompanied by the shakeout of underperforming assets; (c) a period of maturity or oligopoly in which just a few very large firms making standardized products dominate the entire sector, and in which technological change has radically slowed down. Several attempts were made to incorporate a theory of industrial location into the product cycle model, as expressed in a composite story to the effect that new industries originate in agglomerated “incubators” and then steadily disperse outward as they develop, until in the final stages of maturity, virtually all production has decentralized to cheap-labor locations (Norton and Rees, 1979; Struyk and James, 1975).

In spite of its many over-simplifications and oversights, this vision of technological change and entrepreneurship can be taken as an approximate description as to how at least some mass-production sectors evolved in the post-War decades. Even in the context of fordist mass-production, however, the product-cycle model fails to provide a really adequate account of technological trajectories and the evolution of the firm (Storper, 1985). As the new leading edges of capitalist development today – such as high-technology manufacturing, neo-artisanal industry, business and financial services, the media, and so on – have come to the fore, the deficiencies of the theory have grown yet more apparent, above all in view of the circumstance that one of the defining features of the so-called new economy is its persistent postponement of anything like the stage of maturity. New-economy sectors are endemically given to continuous learning and hyper-innovation in all phases of their growth, not only in so far as tangible technologies are concerned but intangible capital of all kinds as well (Amable et al., 1997; David and Foray, 2002).

Thanks to the great surge of published research on these matters in recent years, a very much more elaborate and forthright theory of the spatial foundations of creative activity in contemporary capitalism can now be articulated. I have already attempted a preliminary synthesis in this direction with my exploration of the notion of the creative field as a critical underpinning of the modern cultural economy (Scott, 1999a). The present essay is an attempt to broaden the terms of reference of this earlier