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## Capital city dynamics: Linking regional innovation systems, locational policies and policy regimes☆☆☆

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### ABSTRACT

We propose a tentative theory linking economic and innovation dynamics with the ways capital cities try to develop and position themselves through the formulation of locational policies. Global and world city theories challenge the traditional role and centrality of capital cities. Capital cities that are not the economic centers of their nations – so-called secondary capital cities – tend to be overlooked in the fields of economic geography and political science. Consequently, there is a lack of research and resulting theory analyzing their political economy. We put forward an interdisciplinary perspective that is informed by theories of economic geography and political science, as processes of economic development and political positioning are interrelated and need to be examined together. By linking three different theoretical strands – the regional innovation system approach, the concept of locational policies, and the policy regime perspective – this paper proposes a framework to study the economic and political dynamics in secondary capital cities. Examples of secondary capital cities such as Bern, Canberra, Ottawa, The Hague and Washington D.C. illustrate our theoretical arguments throughout the paper.

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### 1. Introduction

With this paper, we propose an analytical framework for so-called secondary capital cities (SCCs) understood as those capitals that are not the primary economic centers of their nation. Capital cities play an important role in shaping the political, social and cultural identities of a nation. With the decline of the nation state, the rise of transnational institutions, the ascendance of global cities, and the increasing concentration of the knowledge economy in a few dominant metropolitan centers, the traditional role and centrality of capital cities have been challenged, particularly regarding those capital cities that are not the primary economic center of their respective nation.

Yet capital cities continue to play an important role, as places where government and the private sector interact and form a distinctive economic geography; political and non-profit actors shape international

and national relations; new modes of governance develop, based on networks of public and private actors at various spatial scales; the nation's politicians and policymakers strategically coordinate political, economic and financial decisions; and conceptions of national identity are materially and symbolically created, displayed and embodied.

Understanding how capital cities function and what role they play in a global era – particularly as national economies struggle during this time of global crisis – has become a challenge for scholars interested in urban dynamics. In this vein, we argue that capital cities play their role as capitals not only through their symbolic architecture but also through the ways in which these capitals develop a unique regional innovation system (RIS) and through the ways in which they position themselves in the national urban hierarchy through a set of locational policies formulated in local policy regimes.

Research on capital cities in general is relatively sparse, leading to a lack of a coherent set of theories about this specific type of city (Campbell 2000; Mayer, Sager, Minta, & Zwahlen 2013). Along those lines, Gordon (2003, p. 3) notes that “as a category ‘capital cities’ clearly lost ground within geographic writing over the last couple of decades – casualty both to fashionable enthusiasm for ‘global cities’ against national centers, and to a shift of interest towards less formal and monolithic kinds of institutions than those which were the staple of political capitals during the last century”.

A large group of scholars has examined issues regarding urban planning and the architecture of capital cities, particularly as they relate to

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history, urban design and plan-making and as they relate to representations of power (Clark & Lepetit 1996; Gordon 2006; Hall 2010; Sohn & Weber 2000; Taylor, Lengellé, & Andrew 1993). Another set of authors examines capital cities as places that represent national identity and where a nation's memory and symbols are staged (Cochrane 2006; De Frantz 2006; Till 2006). In the aforementioned studies, however, each capital is treated as a unique case and there is no attempt to generalize findings. More fundamentally, this kind of research is characterized by fragmented inquiries from specific disciplinary perspectives. A more comprehensive or even comparative perspective of the political economy of capital cities is missing. Studies in economic geography and political science may offer a more useful way to systematically think about the political economy of capital cities, particularly if such approaches are combined in an interdisciplinary way.

The economic geography literature, for example, conceptualizes capital cities as “information cities” (Castells 1989), “national information brokers” (Abbott 1999, 2005) or “transactional cities” (Gottmann 1977) where complex relationships between government, private sector and third sector actors form a distinctive economic system which is spatially manifested through their interactions, which in turn produce information and knowledge that is important to their nation (Abbott 1999; Feldman 2001; Gerhard 2007; Markusen, Hall, Campbell, & Deitrick 1991). In this sense, we can consider capital cities as RISs. The political science perspective examines different types of territorial and jurisdictional capital cities models and focuses on the governing and financing of capital cities between the conflicting priorities of local and national responsibilities (Nagel 2013; Slack & Chattopadhyay 2009; Wolman, Chadwick, & Karruz 2006). This literature, however, has so far neglected a focus on the types of locational policies that local governments in capital cities develop. In this paper, we apply the RIS and the locational policy perspective to the unique context of a capital city and link them with the policy regime approach. This interdisciplinarity combines to a political economy perspective that allows us to develop an analytical framework to examine the modern capital city.

The aim of this paper is explicitly conceptual. We propose a framework to analyze the political economy of SCCs. Examining this type of capital city gives us the opportunity to focus on the unique capital city functions. We employ three theoretical strands. We first apply the RIS approach to the capital city economy. Even though the RIS approach has a long tradition in economic geography (Autio 1998; Braczyk, Cooke, & Heidenreich 1998; Moulaert & Sekia 2003), scholars have not employed this particular perspective to the capital city context. Second, we present a categorization of locational policies that a SCC can adopt in order to develop its RIS, and position itself in an intensified interurban competition. And third, we combine the two approaches by taking a regime perspective on policy-making in order to capture the different public and private sector actors involved in the formulation of locational policies in SCCs. We then integrate these three strands, resulting in an analytical framework for the political economy of SCCs. The various examples given in this paper illustrate the theoretically-outlined mechanisms within SCCs but are not meant as in-depth case studies testing the model, which is yet to be done in future research.

## 2. What is a secondary capital city and why is it worthy of study?

Why study capital cities and, moreover, secondary capital cities? Globalization scholars argue that capital cities in general, but even more so SCCs, have lost importance and that global cities are much more critical to the functioning of the global economy because as nodal points they coordinate and control capital flows (e.g. Sassen 1991). Similarly, rescaling theories imply that along with the up-scaling and down-scaling of state functions in global capitalism, capital cities disappeared from their traditional central position and have to arrange themselves in the periphery of the global economy (e.g. Brenner 2004). And yet, the recent economic crisis revealed that capital cities

still play an important role because global capital flows are regulated within the context and institutions of nation states (Rodrik 2011) that are for the most part located in capital cities. Important decisions about rescuing banks or bailing out industrial firms were not taken in New York City, Detroit or Zürich, but in Washington, D.C. or Bern. In short, SCCs may be economically inferior but politically superior.

Gottmann and Harper (1990), p. 63) define capital cities as the

“seat of power and a place of decision-making processes that affect the lives and future of the nation ruled, and that may influence trends and events beyond its borders. Capitals differ from other cities: the capital function secures strong and lasting centrality; it calls for a special hosting environment to provide what is required for the safe and efficient performance of the functions of government and decision-making characteristics of the place”.

While Gottman and Harper establish the unique characteristics of a capital city in comparison to an ordinary city, they do not differentiate between different types of capital cities (Campbell 2000; Hall 2006; Zimmermann 2010). Hall (2006) distinguishes seven types of capital cities and compares, for example, multi-function capitals such as Paris and Moscow and global capitals such as London and Tokyo, with political capitals such as Washington, D.C. and Bern that were established as political centers but lack a more diversified economic base. Campbell (2000) adds additional characteristics that distinguish capitals such as the size of the city, the form of national government or the timing of the capital's establishment. Furthermore, he distinguishes between “the capital as dominant economic city in the nation” (such as Montevideo, Paris, London, Copenhagen) and “the capital as secondary city” (such as Ottawa, Bonn, Canberra, Ankara), pointing to the economic status and relative position of the capital within the respective nation (Campbell 2000, p. 4). This division implies a lack of higher national-level or even international-level economic functions of SCCs (Hall 2006), compared to cities with a strong economic and internationally important base (such as global information and finance in London or Tokyo).

In the following we define a SCC as the capital city of a nation, where there is at least one city within the respective nation or state which is economically more important to the country than the capital city is. SCCs are usually found in federal states because the locational choice of capital cities was often a compromise, to balance power relationships but also to separate economic and political power or to serve as independent, alternative sites to the traditional commercial centers (Nagel 2013; Slack & Chattopadhyay 2009; Gottmann 1977). For these reasons SCCs are not infant capitals. They were deliberately chosen to exert a regulative role with the original idea that they should refrain from aspirations to become an economic powerhouse.

We specifically focus this paper on the development of a coherent framework for this type of city because we are in a much better position to separate capital city functions from those that would exist should the urban economy of the capital city incorporate functions that go beyond those associated with the capital city. The category of SCCs enables us to study a remarkable and understudied type of political economies i.e. regional economies that are characterized by a strong public presence which influences local economic interactions, its governance regime as well as its economic development strategies in distinct ways.

The traditional view of the capital city as the domesticated host city of the nation state, which was mired in a comfortable dependency of the very state it was hosting, may not hold up anymore. Compared to urban centers that are the primary economic motors of their nations, SCCs may not play an important role in international and national urban economic networks. Yet, these economies have specialized and policymakers and politicians in these capital cities have started to proactively work towards positioning the city in national and international urban networks. Therefore, we argue, SCCs economies may function as RISs which will be highlighted in the following.

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