**Agglomeration near and far, the case of Southern California: supply chains for goods and ideas**

By Peter Gordon and John Cho

**ABSTRACT**

Prosperity and economic growth require robust specialization and exchange. This means the formation and maintenance of numerous complex supply chains. These are emergent and include supply chains for things and supply chains for ideas. The former involve transactions; the latter can be via transactions and/or *realized* positive externalities. All supply chains have a geographic dimension which is also emergent. Firms carefully choose what to make vs what to buy *and also where to sell or buy it*, near or far. The whole system tends to be a pattern of locations that denote realized transactions (and transactions costs) as well as realized externalities. The city remains a competitive producer if these relationships are encouraged with the attendant costs Contained. Cities are "engines of growth." They offer attractive supply chain formation and management opportunities, including the various spatially situated supply chains for things and ideas. The latter are more complex than textbook discussions of non-rival goods suggest. People are keen to identify and acquire *useful* knowledge. Consider (1) the advantages of open-source knowledge sharing have been acknowledged; (2) ideas often denote complex *tacit knowledge* exchange, and (3) access to *useful* knowledge is priced in land markets and impacts location choice. Favorable networking and location opportunities are significant. Flexible land markets facilitate the availability of such opportunities. Access to pools of human capital is clearly beneficial, but the ability to tailor access to the peculiar requirements of the firm is even better. Detailed firm location data for various sectors for the Los Angeles metropolitan areas are analyzed to support our claims. We estimate Ripley k-functions and note differences by industry as well as firm size. There is agglomeration that is near as well as far. This finding complicates "death of distance" as well as "clustering" discussions.

Once population size reached a critical threshold, such that small bands of hunter-gatherers were more likely to come into contact with each other and exchange goods and knowledge, then cultural information was less likely to be lost, and knowledge and skills could start to accumulate. (Laland 2017) What makes a great city? And in particular, what gives certain cities at certain periods a burst of creativity, an innovative flair, an ability to attract and stimulate people with talent and ideas? Here, too, geography and timing are everything; it is as simple and as mysterious as that. The questions "Why here? Why now? Why not there? Why not then?" have probably been asked more often about cities than
about any other human phenomenon. While the detailed answers differ, there is something the most convincing answers all have in common. They point to a quality in all great cities that transcends the particular intentions of any of the individual people within them, even the most powerful of such people. This quality has been given many names: the atmosphere, the buzz, the networks, the opportunities, the pulse. (Seabright 2004) Economic development … is essentially a knowledge process …but we are still too much obsessed by mechanical models, capital-income ratios, and even input–output tables, to the neglect of the study of the learning and even more to the creative process which is the real key to development (Boulding 1966).

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