# Chapter 10. Market integration and economic geography in history: an overview

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New Economic Geography (NEG) models offer a theoretical framework to analyse the spatial distribution of economic activity. In the case of manufacturing (where increasing returns have traditionally tended to operate), the reduction of trade costs favours the emergence of agglomeration forces that, through a cumulative causation process, may lead to the spatial concentration of manufacturing activities. This framework thus seems particularly appropriate to better understand the evolution in the spatial distribution of manufacturing activities from a historical perspective. In the last two centuries, a significant fall in transport costs has taken place. This is the result, among others, of the construction and expansion of railways, and the improvement of roads or maritime navigation. Other trade costs, such as tariffs have also been reduced over time although with different intensities in historical periods. This overall reduction in trade costs is directly linked with the advance in market integration. On the one hand, during the nineteenth and twentieth centuries national domestic markets became gradually integrated. On the other, since the mid-nineteenth century there was an increasing integration of international markets coinciding with the globalization impulse in that period. This process of economic integration, both at the national and international level, had consequences on the spatial distribution of manufacturing activities within states.

This paper has a three-fold aim. First, we survey the seminal theoretical papers within the NEG literature that explain the relationship between market integration and the spatial distribution of economic activity, mainly manufacturing, over time (Krugman, 1991; Krugman and Venables, 1995; Puga, 1999). In addition, we present a selection of works that have analysed how international integration may affect the internal economic geography of countries (Hanson, 1996; Krugman and Livas, 1996; Crozet and Koenig, 2004). Second, we survey the economic history works that, within an economic geography framework, have analysed the evolution of manufacturing over time for different countries, such us the United States, France or Italy (Crafts and Venables, 2003; Kim and Margo, 2003; Combes et al. 2011; A'Hearn and Venables, 2013). Finally, we focus on Spain. In this context, the interest of Spain lies in the fact that a good number of economic history studies have empirically tested some of the predictions that emanate from the NEG theoretical models reviewed in the first part of this paper, thus allowing to link both economic geography and economic history (Tirado et al., 2002; Pons et al., 2007; Martinez-Galarraga, 2012; Tirado et al., 2013).

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