

# 14

## **The Specialised Differences of Cities Matter in Today's Global Economy**

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There is no such entity as 'the' global economy in the sense of a seamless economy with clear hierarchies. The reality is a vast number of highly particular global circuits. Some of these are specialised and others are not. Some are worldwide circuits, others are regional. Different circuits contain different groups of countries and cities. For instance, a city like Mumbai is today on a global circuit for real estate development investment that includes firms from cities as diverse as London and Bogota. Global commodity trading in coffee includes as major hubs New York and Sao Paulo. London, along with a dozen other cities, is on an unusually large number of these inter-city global circuits.

Viewed this way, the global economy is not seamless. It is lumpy. It becomes concrete and specific. Cities located on many or

## Reforming the City

a few global circuits become part of distinct, often highly specialised inter-city geographies. Not only global economic forces feed this proliferation of inter-city geographies. Global migration, cultural work, international art and design annual fairs, civil society struggles around global issues; these and others also feed the formation and development of these geographies. These emergent inter-city geographies begin to function as an infrastructure for multiple forms of globalisation. The other side of these trends is an increasing urbanising of global networks.

Detailed research from the perspective of a given city makes legible the diversity and specificity of a city's location on some or many of these circuits, and makes legible what are the other cities on each of these circuits. The mix of cities and circuits for a given city partly depends and at the same time feeds the particular strengths of a city. And so will the groups of cities on each circuit. This often brings out particular specialised differences of cities. We now know that these specialised differences matter. This also means that there is less competition among cities and more of a global/regional division of functions than is commonly recognised.

In what follows the focus is on the economic urban dimensions.<sup>1</sup> I focus particularly on the strengths and weaknesses of London as a global city. It is worth noting that there is no perfect global city: in a globally networked economy, no city today can function like the imperial capitals of older periods. While London is in a group of cities that do extremely well, it also has some notable weaknesses.

## The deep economic history of a city matters

There is an interesting discovery that comes out of recognising the value of the specialised differences of cities and urban regions in today's global economy. It is that the deep economic history of a

## The Specialised Differences of Cities Matter in Today's Global Economy

place matters for the type of knowledge economy a city or a city-region winds up developing. This goes against the common view that globalisation homogenises urban economies. How much this deep economic history matters varies, partly depending on the particulars of a city's or a region's economy. But it matters more than is commonly assumed, and it matters in ways that are not generally recognised. What globalisation homogenises is standards: among these standards are the much noticed financial reporting and accounting standards. To this I add standards for building state of the art office districts, spaces of consumption and high-end residential districts. It is these standards for the built environment that often create the impression that urban economies are being homogenised by globalisation. But globalisation also rests and depends on diverse specialised economic capabilities. In that regard I argue that the state of the office district is today more akin to an infrastructure – necessary but indeterminate. In this indeterminacy, then, lies the possibility that similarly built state of the art office districts, or financial centres, are producing rather diverse specialised components of the global knowledge economy, including different types of financial activities. London, with its long history of developing capabilities to manage vast imperial geographies has, not surprisingly, become the leading global city in the world today. It has long known how to handle complex cross-border transactions and tensions.

The capabilities needed to trade, finance, service, and invest globally need to be produced. Such capabilities are not simply a function of the power of multinational firms and telecommunications advances. The global city is a platform for producing these types of global capabilities, even when it requires large numbers of foreign firms, as is the case in cities as diverse as Beijing and Buenos Aires. Each of the 70 plus major and minor global cities in the world contributes to produce that capability in its home country and thereby to function as a bridge between its national

## Reforming the City

economy and the global economy. In this networked, multi-city geography, most of the 250,000 plus multinational corporations in the world have kept their headquarters in their home countries, no matter the thousands of affiliates, subsidiaries and offshore sourcing sites that they may have around the globe.

Within a vast and diverse region such as Europe it has now become clear that several cities function as key hubs, each representing a distinctive mix of strengths. In a top tier we find London, Paris, and Frankfurt. In the top ten we have besides these three: Amsterdam, Madrid, Copenhagen, Stockholm, Zurich, Milan, and Berlin. This points to the fact of an increasingly multi-sited platform for the global operations of firms and exchanges. As some of the data discussed next shows, a city like Copenhagen has become a sort of Dubai for Europe: a platform from which to do European-level operations. Firms do not locate there only to invest in the country.

The other side of this dynamic is that for a firm to go global it has to put down its feet in multiple cities that function as entry points into national and/or regional economies. This bridging capacity is critical: the multiple circuits connecting major and minor global cities are the live infrastructure of the global economy. It indicates that cities do not simply compete with each other, as is so often asserted. A global firm does not want one global city, even if it is the best in the world. Depending what a firm makes or sells, different groups of cities will be desirable, and they will go to these cities even if they have some serious negatives.

This contributes to explaining why the number of global cities has kept growing since the 1980s when this phase began, and why none of them is dying, not even with the financial crisis. What the crisis has done is to destroy a number of firms and to reduce the overall capital of firms and markets –besides the larger macroeconomic effects and a sharp rise in unemployment. Particular specialised sectors have clearly been hurt (or disci-

plined!) more than others. I return to this in the last section of the chapter.

### **There is no perfect global city**

A large study of 75 cities, using over 60 measures provides two critical sets of measures. One is the growing strength of European cities. The second is that not even the most powerful global cities, such as London and New York, rank at the top in all measures.

On the first point, very briefly, the rise of European cities points to the larger story of the rise of a multipolar world. The loss of position of US cities is part of this shift: Los Angeles fell from the 10th to the 17th rank, and Boston from the 12th to the 23rd, while European and Asian cities moved in the top ranks, notably Madrid going from 17th to 11th.<sup>2</sup> It is not that the US is suddenly poorer, it is that other regions of the world are rising and that there are multiple forces feeding the multi-sited character of economic, political, and cultural globalisation.

On the second point, it is important to emphasise that no one city ranks at the top in all of these.<sup>3</sup> London and New York, the two leading global cities, rank low in several aspects – neither is in the top ten when it comes to starting a business, or closing a business, for example. If we consider some of the sub-indicators in the Ease of Doing Business indicator in the study, such as 'Ease of Entry and Exit,' London ranks 43rd and New York ranks 56th. Perhaps even more surprising, London ranks 37th on contract enforcement and 21st on investor protection. It is Singapore that ranks number one in all three variables. Perhaps less surprising, New York ranks 34th on one of the sub-indicators for Livability: 'Health and Safety'. In the Global South, cities like Mumbai and Sao Paulo are in the top twenty when it comes to sub-indicators such as financial and economic services, but are brought down in

# Reforming the City

their overall score by their low rankings in factors related to the ease of doing business and livability, especially low levels of well-being for vast sectors of the population.

**Table 1. WCOC Overall Index Top 20 global cities, 2008**

1	London	79.17
2	New York	72.77
3	Tokyo	66.60
4	Singapore	66.16
5	Chicago	65.24
6	Hong Kong	63.94
7	Paris	63.87
8	Frankfurt	62.34
9	Seoul	61.83
10	Amsterdam	60.06
11	Madrid	58.34
12	Sydney	58.33
13	Toronto	58.16
14	Copenhagen	57.99
15	Zurich	56.86
16	Stockholm	56.67
17	Los Angeles	55.73
18	Philadelphia	55.55
19	Osaka	54.94
20	Milan	54.73

*Source for all tables: Tables prepared by Saskia Sassen  
Based on MasterCard Study of World Centers of Commerce (WCOC) 2008.  
The top score is 100. See Endnote 2 for more details on the study.*

# The Specialised Differences of Cities Matter in Today's Global Economy

**Table 2: Indicator 1: Political and Legal Frameworks**

	City	Dimension 1 Score
1	Stockholm	90.82
2	Singapore	90.32
3	Copenhagen	89.53
4 – 14	Various US Cities <sup>4</sup>	88.28
15	Zurich	86.68
16	Geneva	86.68
17	Toronto	85.85
18	Montreal	85.85
19	Vancouver	85.85
20	Frankfurt	85.75
...	...	...
26	London	85.17

**Table 3. Indicator 2: Economic Volatility**

	City	Dimension 2 Score
1	Vienna	92.42
2	Madrid	92.07
3	Barcelona	92.07
4	Lisbon	91.67
5	Brussels	91.65
6	Paris	91.58
7	Milan	91.20
8	Rome	91.20
9	Copenhagen	90.72
10	Zurich	90.47
11	Geneva	90.47
12	Amsterdam	90.47
13	Athens	89.90

# Reforming the City

14	Frankfurt	89.88
15	Berlin	89.88
16	Munich	89.88
17	Hamburg	89.88
18	Düsseldorf	89.88
19	Singapore	89.74
20	London	89.66

**Table 4. Indicator 3: Ease of Doing Business**

	City	Dimension 3 Score
1	Singapore	82.82
2	Hong Kong	80.37
3	London	79.42
4	Toronto	76.24
5	New York	75.91
6	Dublin	75.71
7	Edinburgh	75.29
8	Vancouver	74.89
9	Montreal	74.60
10	Chicago	73.81
11	San Francisco	73.68
12	Sydney	72.39
13	Los Angeles	72.34
14	Boston	71.89
15	Washington D.C.	71.78
16	Copenhagen	71.72
17	Atlanta	71.69
18	Miami	71.51
19	Melbourne	71.34
20	Dallas	71.32

## The Specialised Differences of Cities Matter in Today's Global Economy

**Table 5. Indicator 4: Financial Dimension**

	City	Dimension 4 Score
1	London	84.70
2	New York	67.85
3	Frankfurt	52.88
4	Seoul	52.76
5	Chicago	52.51
6	Tokyo	48.95
7	Mumbai	47.32
8	Moscow	47.27
9	Shanghai	46.54
10	Madrid	44.60
11	Singapore	42.15
12	Paris	41.85
13	Hong Kong	39.61
14	Sydney	39.47
15	Milan	38.45
16	Sao Paulo	34.92
17	Amsterdam	34.44
18	Copenhagen	33.24
19	Taipei	33.04
20	Zurich	31.93

**Table 6. Indicator 5: Business Centre Dimension**

	City	Dimension 5 Score
1	Hong Kong	72.25
2	London	67.44
3	Singapore	62.58
4	Shanghai	60.30
5	Dubai	59.34

# Reforming the City

6	Tokyo	58.15
7	Paris	57.73
8	New York	54.60
9	Amsterdam	48.00
10	Seoul	47.33
11	Frankfurt	46.73
12	Los Angeles	44.47
13	Bangkok	44.21
14	Chicago	40.52
15	Miami	39.23
16	Taipei	37.78
17	Madrid	37.71
18	Milan	36.46
19	Beijing	35.07
20	Atlanta	33.69

**Table 7. Indicator 6: Knowledge Creation and Information Flows**

	<b>City</b>	<b>Dimension 6 Score</b>
1	London	62.35
2	New York	59.02
3	Tokyo	52.06
4	Paris	51.65
5	Seoul	51.31
6	Zurich	47.84
7	Chicago	46.31
8	Geneva	45.28
9	Stockholm	44.15
10	Los Angeles	43.08
11	Osaka	40.87
12	Boston	40.58

## The Specialised Differences of Cities Matter in Today's Global Economy

13	Copenhagen	39.57
14	Singapore	39.45
15	Berlin	39.41
16	Amsterdam	39.11
17	Atlanta	38.21
18	Philadelphia	37.80
19	Washington D.C.	37.46
20	Taipei	37.00

**Table 8. Indicator 7: Livability**

	<b>City</b>	<b>Dimension 7 Score</b>
1	Vancouver	94.38
2	Düsseldorf	93.88
3	San Francisco	93.44
4	Frankfurt	93.38
5	Vienna	93.38
6	Munich	93.13
7	Zurich	92.81
8	Tokyo	92.69
9	Paris	92.63
10	Copenhagen	92.63
11	Sydney	92.56
12	Berlin	92.56
13	Toronto	92.38
14	Boston	92.19
15	Geneva	92.06
16	Stockholm	92.00
17	Los Angeles	92.00
18	Amsterdam	91.63
19	Montreal	91.63

# Reforming the City

20	Melbourne	91.63
...	...	...
24	London	79.17

Below are a set of tables that show some of the lowest or most surprising rankings for London on the sub-indicators. They are here to illustrate the larger notion that there is no perfect global city. They reflect rankings based on sub-indicators. And there are two tables where London ranks high; the interest here is the mix of cities, which is somewhat different from the mix of cities on many of the other indicators and sub indicators in this set of tables. The list of tables below does not include 40 or so sub indicators where London ranks high, since her high rankings are to be expected as it is the leading global city, even if at 79 she is far from the perfect score of 100.

**Table 9. Dealing with Licenses**

	City	Dimension Score
1	Copenhagen	92.49
2	Seoul	88.87
3	Stockholm	88.63
4	Singapore	88.18
5	Frankfurt	87.30
6	Berlin	87.30
7	Munich	87.30
8	Hamburg	87.30
9	Düsseldorf	87.30
10	Toronto	86.70
11	Montreal	86.70
12	Vancouver	86.70
13	New York	86.26
14	Chicago	86.26

## The Specialised Differences of Cities Matter in Today's Global Economy

15	Philadelphia	86.26
16	Los Angeles	86.26
17	Boston	86.26
18	Atlanta	86.26
19	Miami	86.26
20	San Francisco	86.26
...	...	...
40	London	80.89

**Table 10. Registering Property**

	<b>City</b>	<b>Dimension Score</b>
1	Riyadh	89.80
2	Stockholm	89.41
3	New York	87.13
4	Chicago	87.13
5	Philadelphia	87.13
6	Los Angeles	87.13
7	Boston	87.13
8	Atlanta	87.13
9	Miami	87.13
10	San Francisco	87.13
11	Houston	87.13
12	Dallas	87.13
13	Washington D.C.	87.13
14	Zurich	86.72
15	Geneva	86.72
16	Dubai	86.59
17	Singapore	83.99
18	London	80.92
19	Edinburgh	80.92
20	Bangkok	78.36

# Reforming the City

**Table 11. Starting a Business**

	City	Dimension Score
1	Sydney	96.68
2	Melbourne	96.68
3	Toronto	96.49
4	Montreal	96.49
5	Vancouver	96.49
6	Dublin	92.23
7	Brussels	92.16
8	Singapore	92.02
9	Paris	91.61
10	Stockholm	90.72
11	New York	90.49
12	Chicago	90.49
13	Philadelphia	90.49
14	Los Angeles	90.49
15	Boston	90.49
16	Atlanta	90.49
17	Miami	90.49
18	San Francisco	90.49
19	Houston	90.49
20	Dallas	90.49
...	...	...
24	London	89.32

**Table 12. Getting Credit**

	City	Dimension Score
1	Kuala Lumpur	79.15
2	London	71.15
3	Edinburgh	71.15

## The Specialised Differences of Cities Matter in Today's Global Economy

4	Frankfurt	69.79
5	Berlin	69.79
6	Munich	69.79
7	Hamburg	69.79
8	Düsseldorf	69.79
9	Sydney	68.33
10	Melbourne	68.33
11	New York	67.50
12	Chicago	67.50
13	Toronto	67.50
14	Philadelphia	67.50
15	Los Angeles	67.50
16	Boston	67.50
17	Atlanta	67.50
18	Miami	67.50
19	San Francisco	67.50
20	Montreal	67.50

**Table 13. Researchers in R&D (per million of people)**

	<b>City</b>	<b>Dimension Score</b>
1	Stockholm	100.00
2	Copenhagen	93.57
3	Tel Aviv	84.62
4	Tokyo	83.96
5	Osaka	83.96
6	Zurich	82.03
7	Geneva	82.03
8	Singapore	76.66
9	Taipei	76.27
10	Moscow	74.63

# Reforming the City

11	St. Petersburg	74.63
12	Toronto	73.99
13	Montreal	73.99
14	Vancouver	73.99
15	Sydney	70.66
16	Melbourne	70.66
17	Paris	68.44
18	Amsterdam	67.60
19	Frankfurt	66.65
20	Berlin	66.65
...	...	...
46	London	32.75

**Table 14. Number of MBA programs**

	City	Dimension Score
1	New Delhi	100.00
2	London	92.31
3	Bangalore	73.08
4	Madrid	65.38
5	Mumbai	65.38
6	Paris	53.85
7	Singapore	50.00
8	Hong Kong	46.15
9	Barcelona	46.15
10	New York	38.46
11	Chicago	34.62
12	Bangkok	34.62
13	Beijing	34.62
14	Philadelphia	26.92

## The Specialised Differences of Cities Matter in Today's Global Economy

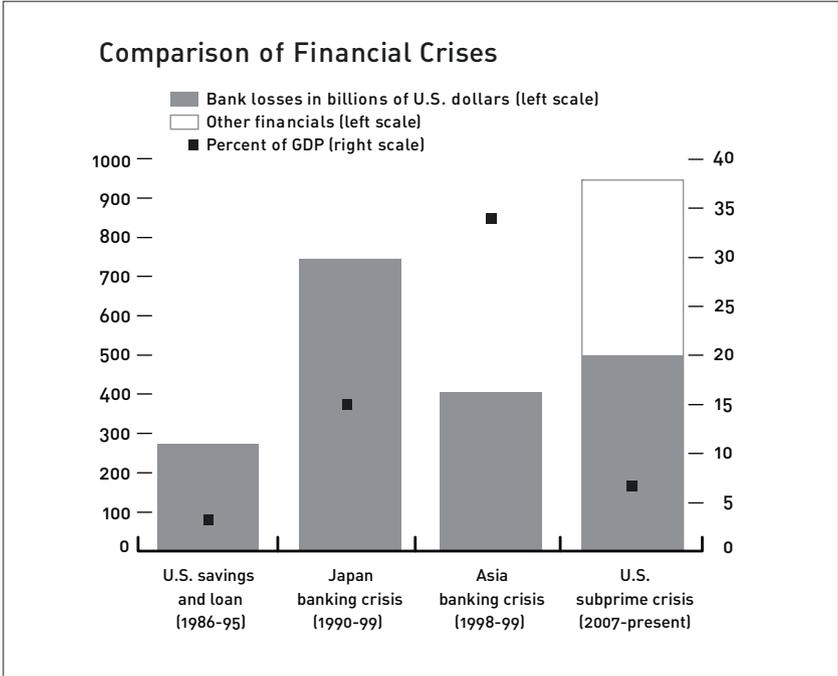
15	Boston	26.92
16	Vienna	26.92
17	Dublin	26.92
18	Washington D.C.	26.92
19	Buenos Aires	26.92
20	Tokyo	23.08

### The consequences of the current financial crisis

To what extent can the current financial crisis alter the basic features of this globally networked inter-city urban geography? Here I want to examine briefly the particularity of the financial crisis that erupted in September 2008 from the perspective of this question. This is a lens that brings to the fore a few distinctive trends and potentials because a city is much more than a financial centre.

A comparison of the major crises since the current phase began in the 1980s shows the extent to which financial leveraging has caused the greater acuteness of the current crisis compared with the other three major crises since the 1980s. Figure 1 shows that financial leveraging added another 20% to the underlying banking crisis, thereby bringing the current financial crisis up to an equivalent of 40% of global GDP, compared to earlier crises, which rarely went beyond 20%.

The data in Figure 2 also show the extent to which Asia (in 2008) is in a very different position than the US and Europe. Its emergent crisis is economic rather than financial. But also continental Europe evinces differences from the US. In that regard, as has been well established, the UK is in a different situation from the rest of the EU.



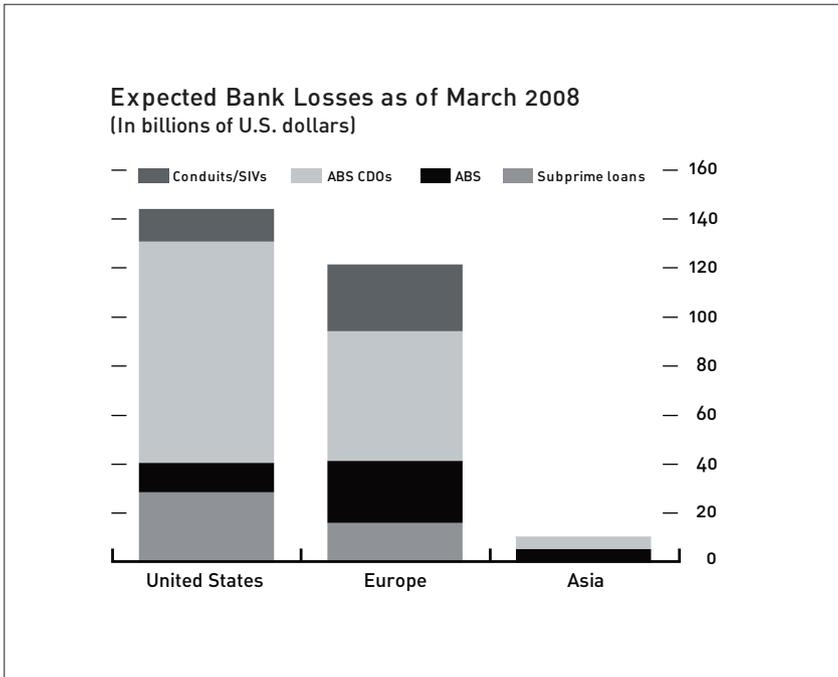
**Figure 1**

Sources: Goldman Sachs; UBS; and IMF staff estimates.

Note: ABS = asset-backed security; CDO = collateralised debt obligation; SIV = structured investment vehicle.

The critical component that brought the financial system to a momentary standstill was a complex, highly speculative financial innovation – the ‘Made in America’ innovation that came to be called credit-default swap. The US\$ 62 trillion dollar credit-default swap crisis exploded on the scene in September 2008, a full year after the sub-prime mortgage crisis of August 2007 which is often erroneously thought to be the cause of the crisis. The value of credit-default swaps was more than the US\$ 54 trillion in global GDP. The graph below (Figure 3) shows the extremely sharp growth over an extremely short period of time, from 2001 to 2007. While much attention has gone to subprime mortgages as causes of the financial crisis, the 60 trillion in swaps in mid-2008

## The Specialised Differences of Cities Matter in Today's Global Economy

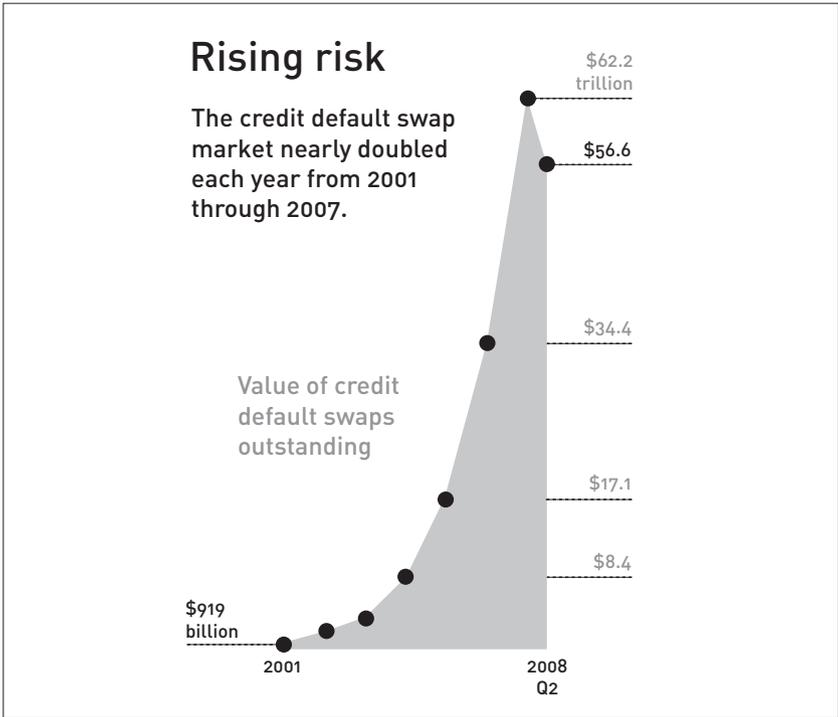


**Figure 2**

Sources: World Bank; and IMF staff estimates, *Global Financial Stability Report*, Oct 2008.

Note: U.S. subprime costs represent staff estimates of losses on banks and other financial institutions. All costs are in real 2007 dollars. Asia includes Indonesia, Korea, the Philippines, and Thailand.

is what really got the financial crisis going. The decline in house prices, the high rate of mortgage foreclosures, the declines in global trade, the growth of unemployment, all alerted investors that something was not right. This in turn led those who had bought credit-default swaps as a sort of 'insurance' to want to cash in on their swaps. But the sellers of these swaps had not expected this downturn or the demand to cash in from those to whom they had sold these credit-swaps. They were not ready, and this catapulted much of the financial sector into crisis. Not everybody lost: investors such as George Soros, made large profits by going against the trend.



**Figure 3**  
*Source: ISDA*

These credit-default swaps are part of what has come to be referred to as the shadow banking system. According to some analysts, most notably Tett (2009), this shadow banking system accounted for 70% of banking at the time that the crisis exploded. The shadow banking system is not informal, illegal, or clandestine. Not at all: it is in the open, but it has pushed the boundaries of what is 'legal' and thrived on the opaqueness of the investment instruments. The complexity of many financial instruments is such that nobody can actually trace what all is bundled up in some of these financial instruments. Eventually this meant that nobody knew exactly or could understand the composition of their investments, not even those who sold the instruments.

## The Specialised Differences of Cities Matter in Today's Global Economy

This shadow banking system has thrived on the recoding of instruments, which, at the limit, allowed illegal practices to thrive. For instance, it is now clear that credit-default swaps were sold as a type of insurance. But they were actually derivatives. If they would have been sold as insurance the law requires they be backed by capital reserves and be subject to considerable regulation. Making them into derivatives was a *de facto* deregulation and eliminated the capital reserves requirement. Credit-default swaps could not have grown so fast and reached such extreme values if they had been formally sold as insurance, which would have been the lawful way. None of the financial firms had the capital reserves they would have needed to back 60 trillion in insurance. Because they were actually derivatives, they could have an almost vertical growth curve beginning at a low 1 trillion as recently as 2001 and jumping to over 60 trillion in a few years.

This is a moment for radical departures from the old ways. We need to de-financialise the economy: for instance, before the current 'crisis' the value of financial assets in the US had reached 450% to GDP (McKinley Report 2008). In the European Union it stood at 356% to GDP, with the UK at 440%, well above the EU average. More generally, the number of countries where financial assets exceed the value of their gross national product more than doubled from thirty-three in 1990 to seventy-two in 2006. The global value of financial assets (de facto a kind of debt) by September 2008, as the crisis was exploding, was three and half times larger (160 trillion dollars) than the value of global GDP.

In what follows, I will link these overarching trends to an urban microcosm. This is an American microcosm, partly because so much of the logic that produced the current financial crisis was 'Made in America.' This becomes an urban lens, a way of connecting the macro level financial circuits to the specifics of urban space.

### When the financial crisis hits urban land

Much has been made, especially in the US media, of the subprime mortgage crisis as a source of the larger crisis. Modest-income families unable to pay their mortgage were often represented as irresponsible for having taken on these mortgages and thereby leading to the crisis. But the facts show another pattern. The overall value of the subprime mortgage losses was too small to bring this powerful financial system down. But the interlinking of financial markets means that even a 'small market' crisis, such as the subprime market, can produce ripples. In this case the ripple was a crisis of confidence among large investors. The key was the growing demand for asset-backed securities by investors in a market where the outstanding value of derivatives was US\$ 600 trillion, more than ten times the value of global GDP. To address this demand, even sub-prime mortgage debt could be used as an asset. But the low quality of this debt meant slicing it into multiple tiny tranches and mixing these up with high-grade debt. The result was an enormously complex instrument that was also enormously opaque: nobody could trace what was contained within it. When the total number of foreclosures moved into the millions in 2007, investors had a crisis of confidence: it was impossible to tell what was the toxic component in their investments and which of their investments might be 'contaminated'.

Sub-prime mortgages can be valuable instruments to enable modest-income households to buy a house. But what happened in the US over the last few years was an abuse of the concept. The small savings, future earnings, or already fully paid houses of modest-income households were used to develop a financial instrument that could make profits for investors even if those households in the end could not pay for the primary or secondary mortgages they were often pushed to take. The result was the loss

## The Specialised Differences of Cities Matter in Today's Global Economy

of both their home and whatever savings and future earnings they had put into it – a catastrophic and life-changing event for many of these households. This becomes clear in the microcosm that is New York City. Table 15 below shows how whites, who have a far higher average income than all the other groups in New York City, had a far lower share of subprime mortgages than all other groups, reaching just 9.1 % of all mortgages taken on by whites in 2006 in NYC compared with 13.6 % for Asians, 28.6 % for Hispanics, and 40.7 % for blacks. The Table also shows that all groups, regardless of incidence, had high growth rates in subprime borrowing from 2002 to 2006. If we consider the most acute period, 2003 to 2005, the share of subprime mortgages in all mortgages more than doubled for whites, basically tripled for Asians and Hispanics, and quadrupled for blacks. The result is that a far higher share in each of the latter groups lost their homes to foreclosure than in the white group.

**Table 15. Rate of Conventional Subprime Lending by Race in New York City, 2002 to 2006**

	2002	2003	2004	2005	2006
White	4.6%	6.2%	7.2%	11.2%	9.1%
Black	13.4%	20.5%	35.2%	47.1%	40.7%
Hispanic	11.9%	18.1%	27.6%	39.3%	28.6%
Asian	4.2%	6.2%	9.4%	18.3%	13.6%

*Source: Furman Center for Real Estate & Urban Policy, 2007*

There were, then, two very separate crises: the crisis of the people who had gotten these mortgages and the crisis of confidence experienced by the investor community. The millions of home foreclosures were a signal that something was wrong, but, in itself, it could not have brought down the financial system. There is a profound irony in this crisis of confidence: the brilliance of those who make these financial instruments became the undoing of a large number of investors (besides the undoing

## Reforming the City

of the modest-income families who had been sold these mortgages). The toxic link for modest-income households was that for these mortgages to work as assets for investors, the aim was to sell as many mortgages as possible (at least 500 were necessary to work into an asset-backed security), regardless of whether the home-buyers could pay their monthly fee. The faster these mortgages could be sold, the faster they could be bundled into investment instruments and sold off to investors. This secured the fees for the sub-prime mortgage sellers and reduced the effects of mortgage default on the profits of the sub-prime sellers. In fact, those sub-prime sellers that did not sell off these mortgages as part of investment instruments went bankrupt eventually, but not before having secured considerable profits in fees.

In brief, the financial sector invented some of its most complicated financial instruments to extract whatever were the meagre savings or assets of modest households by offering sub-prime mortgages and promising the possibility of owning a house or getting a second mortgage on a fully paid for house. The complexity of the financial innovation was a series of products that de-linked subprime sellers and investors' profits from the creditworthiness of consumer home mortgage-buyers. Whether the mortgage is paid matters less than securing a certain number of loans that can be bundled up into 'investment products'. The crisis of homebuyers was not a crisis for financial investors, even though millions of middle- and working-class families in the US have lost everything, and many now live in tents. For finance it was a crisis of confidence. But it showed the importance of the systems of trust that make possible the speed and orders of magnitude of this financial system. The crisis of home-owners (valued at a few hundred billion dollars) was the little tail that dented the enormous dog of trust in the financial system. In other words, this type of financial system has more of the social

## The Specialised Differences of Cities Matter in Today's Global Economy

in it than is suggested by the technical complexity of its instruments and electronic platforms.

The costs of the current financial crisis, especially its sub-prime mortgage component, extend to whole metropolitan areas. The loss of property tax income for municipal governments varies across different types of cities and metro areas. Table 16 shows the ten metro areas with the largest estimated losses of real GMP (Gross Municipal Product) for 2008 due to the mortgage crisis, as measured by Global Insight 2007.<sup>5</sup> The total economic loss of these ten metro areas is estimated at over US \$45 billion for the year 2008. New York loses over US \$10 billion in 2008 GMP, Los Angeles loses US \$8.3 billion, and Dallas, Washington, and Chicago each lose about US \$4 billion.

**Table 16. US Metro Areas with Largest Losses of GMP, estimates for 2008**

Rank	2008	Revised Real GMP Growth, %	Loss in Real GMP Growth, %	Loss of GMP, Millions
1	New York-Northern New Jersey- Long Island, NY-NY-PA	2.13	-0.65	-\$10,372
2	Los Angeles-Long Beach-Santa Ana, CA	1.67	-0.95	-\$8,302
3	Dallas-Forth Worth-Arlington, TX	3.26	-0.83	-\$4,022
4	Washington-Arlington-Alexandria, DC-VA-MD-WV	2.79	-0.60	-\$3,957
5	Chicago-Naperville-Joliet, IL-IN-WI	2.23	-0.56	-\$3,906
6	San Francisco-Oakland-Fremont, CA	1.88	-1.07	-\$3,607
7	Detroit-Warren-Livonia, MI	1.30	-0.97	-\$3,203
8	Boston-Cambridge-Quincy, MA-NH	2.16	-0.99	-\$3,022
9	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1.85	-0.63	-\$2,597
10	Riverside-San Bernardino-Ontario, CA	3.51	-1.05	-\$2,372

Source: Global Insight, Inc. 'The Mortgage Crisis: Economic and Fiscal Implications for Metro Areas,' 5. Prepared for the United States Conference of Mayors and the Council for the New American City, 2007.

### Conclusion

While much has been said about the global economy homogenising national economies, the urban trends discussed here actually point in the opposite direction: different cities have different strengths. Global firms and markets, but also cultural enterprises, want many global cities because each of these cities expands the global platform for operations and because each is a bridge between the global and the particularities of national economies and societies. This also brings to the fore that global cities are built, developed, made.

The rebuilding of central areas that began to take place in the 1980s and accelerated in the 1990s and onwards is part of this new economic role. It amounts to rebuilding key parts of these cities as platforms for a rapidly growing range of globalised activities and flows, from economic to cultural and political. This also explains why architecture, urban design and urban planning have all become more important and visible in the last two decades. And it explains the emergence of strong competition for space and the development of a new type of politics claiming the right to the city.

The costs to cities of this mode of economic growth have been high. Massive displacements of low-income households and low-profit firms have been evident in all these cities. And the financial crisis has brought its own specific costs, increasingly naked and direct. This has been an economic urban dynamism charged with social costs. It needs to be said that the fact that global firms need cities, and, indeed groups of cities, should enable the political, corporate and civic leadership in cities to negotiate for a better share of the benefits. This could lead to overall positive outcomes if the governing classes can see that these global economic functions will grow better in a context of a strong and prosperous middle class rather than sharp inequality and in-miseration of a

## The Specialised Differences of Cities Matter in Today's Global Economy

growing share of households. European global cities have done better than US global cities precisely for this reason.

It is to the advantage of cities to have more distributed growth. The types of differences that characterise even the most powerful global cities suggest that there is less competition in the global system and more specialised differences. In this context the financial crisis and the ensuing economic crisis should be an occasion to resist the extreme competition that leads towards massive concentration of advantages. The leadership of a city like London, whether civic, corporate or political, should resist the notion that the City will go under if these extreme trends towards concentration of economic advantage are not enabled. The City of London is part of a globally networked financial system. No city can be the best in everything in a complex economic system. And no financial centre can thrive if it allows the rest of the city within which it is embedded to have growing inequality, unemployment and social decay. That is clear from the fact that cities such as Sao Paulo and Mumbai which have some of the most powerful financial centres are brought down sharply by the larger social devastation within which they exist.

### Notes

- 1 For an examination of the political and cultural dimensions see the author's *Territory, Authority, Rights: Part 3* (Princeton University Press, 2008).
- 2 These earlier numbers come from the first version of the MasterCard study (2006) using 2005 data.
- 3 It is the recently released 2008 MasterCard Study of Centers of Global Commerce, for which the author was one of eight experts. The 63 variables cover a very wide range of conditions – from macro level factors such as political/legal frameworks to the particulars of cities, such as how easy it is

## Reforming the City

to execute an import/export operation, how many days it takes to open and to close a firm, and on to livability factors and global recognition.

- 4 New York, Chicago, Philadelphia, Los Angeles, Boston, Atlanta, Miami, San Francisco, Houston, Dallas and Washington D.C. all score 88.28 on Dimension 1 because it is a macro-level variable.
- 5 The report contains a full list of GMP estimated losses for all 361 metros in the US (Appendix, Table A2, pages 8-16.). The report states that 128 metros will see slow real GMP growth of less than 2% in 2008, and that growth is cut by more than a third in 65 metros, and by more than a quarter in 143 metros.