



Why cities matter

## Why cities matter

Saskia Sassen



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PHOTO BY ALAN RUSBRIDGER

By the mid-twentieth century, many of our great cities were in physical decay, losing population, losing economic activity, losing key roles in the national economy and losing their share of national wealth. As we move into the twenty-first century, cities have re-emerged as strategic places for a wide range of projects and dynamics. This essay explores the whys, the hows and the whats of this shift. It does so through the economic, architectural and political dimensions of cities. These are briefly described below before entering into the inevitable sea of details.

Critical and partly underlying all the other dimensions, is the new economic role of cities in an increasingly globalized world and the associated architectural and technical revolutions this has entailed. The formation of inter-city geographies is contributing a critical infrastructure for a new global political economy, new cultural spaces and new types of politics. Some of these inter-city geographies are thick and highly visible: the flows of professionals, tourists, artists and migrants among specific groups of cities. Others are thin and barely visible: the highly-specialized financial trading networks that connect particular cities depending on the type of instrument involved, or the global commodity chains for diverse products that run from exporting hubs to importing hubs.

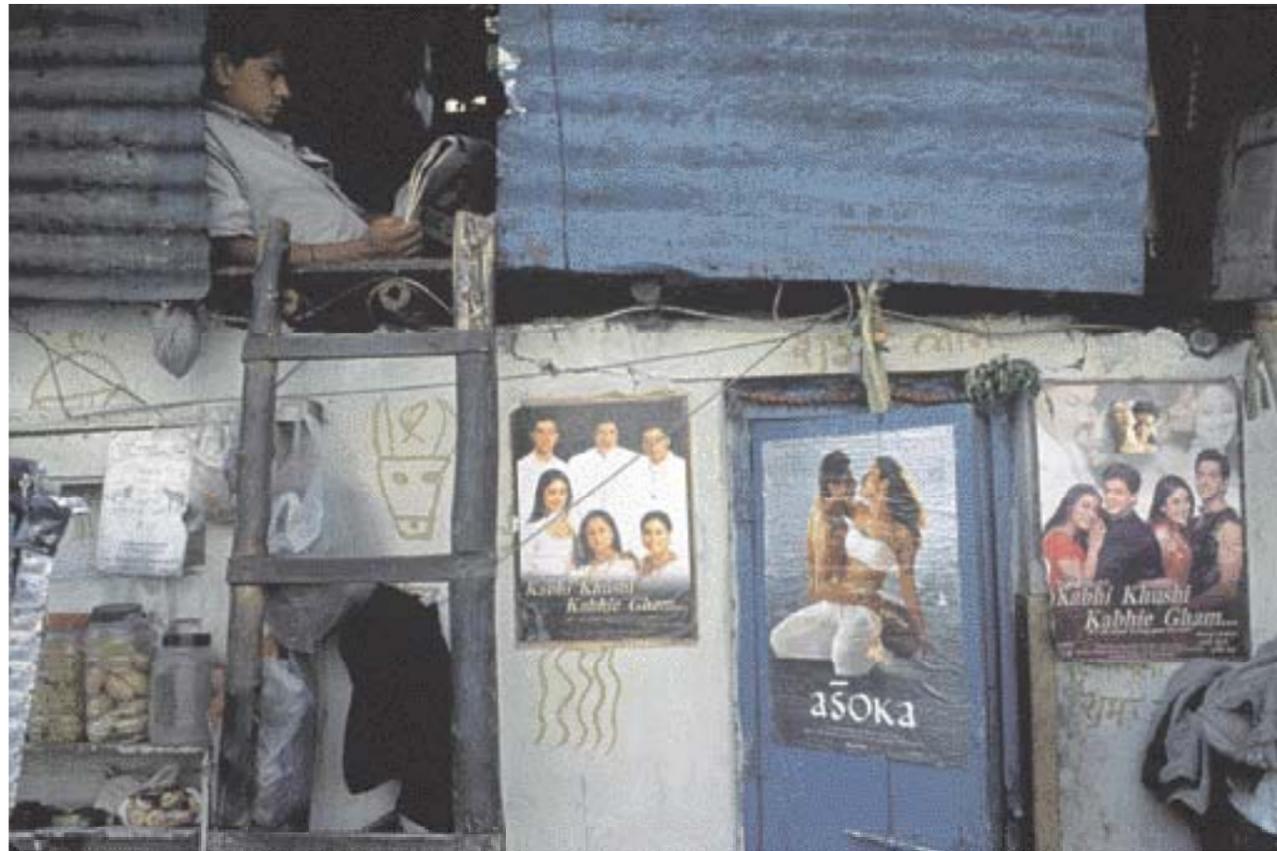
These circuits are multi-directional and criss-cross the world, feeding into inter-city geographies with both expected and unexpected strategic nodes. For instance, New York is the leading global market to trade financial instruments on coffee even though it does not grow a single bean. But a far less powerful financial centre, Buenos Aires, is the leading global market to trade financial instruments on sunflower seeds. Cities located on global circuits, whether few or many, become part of distinct, often highly-specialized intercity geographies. Thus if I were to track the global circuits of gold as a financial instrument, it is London, New York, Chicago and Zurich that dominate. But if I track the direct trading in the metal industry, Johannesburg, Mumbai, Dubai and Sydney all appear on the map (picture 4). Looking at globalization through the lens of these specificities allows us to recover the particular and diverse roles of cities in the

global economy. Each of the cities profiled in this Biennale is part of particular global circuits. Many others not profiled are on such circuits as well, as is indicated, for instance, by the fact that the top 100 global service firms together have affiliates in 315 cities worldwide.

While many of these global circuits have long existed, what has begun to change since the 1980s is their proliferation and their increasingly complex organizational and financial framings. It is the new challenge of coordinating, managing and servicing these increasingly complex, specialized and vast economic circuits that has made cities strategic. It is perhaps one of the great ironies of our global digital age that it has produced not only massive dispersal, but also extreme concentrations of top level resources in a limited number of places. Indeed, the organizational side of today's global economy is located and continuously reinvented, in what has become a network of about 40 major and not-so-major global cities; this network includes most of our 16 Biennale cities. These global cities must be distinguished from the hundreds of cities that are located on often just a few global circuits; while these cities are articulated with the global economy, they lack the mix of resources to manage and service the global operations of firms and markets.

The more globalized a firm's operations and the more digitised its product, the more complex its central headquarter functions become and hence the more their execution benefits from dense, resource-rich urban environments. In global cities, then, the interaction of centrality and density takes on a whole new strategic meaning: physical density is the urban form, housing an increasingly complex set of activities for the management, service, design, implementation and coordination of the global operations of firms and markets.

Architecture and civil engineering have played a critical role in building the new and expanded urban settings for the organizational side of the global economy. This is architecture as inhabited infrastructure. Let me explain. The much talked about homogenization of the urban landscape



1

1. Mumbai.  
PHOTO BY RAJESH VORA,  
COURTESY URBAN DESIGN  
RESEARCH INSTITUTE.



2

in these cities responds to two different conditions. One is the consumer world, with homogenizing tropes that help in expanding and standardizing markets to the point that they can become global. But this is to be distinguished from the homogenization involved in the organizational side of the global economy: state-of-the-art office districts, airports, hotels, services and residential complexes for strategic workforces. Architecture and engineering have invented and produced these state-of-the-art environments and provided the key visual vocabularies for the reshaping of significant portions of these cities. This reshaping responds to the needs associated with housing these new economies and the cultures and politics they entail. I would say that this homogenized environment for the most complex and globalized functions is more akin to an infrastructure, even though not in the conventional sense of the term. Nor is it simply a visual code that aims at signalling a high stage of development, as is so often posited in much of the commentary on the matter and is the belief of many developers.

We must go beyond the visual tropes and the homogenizing effect, no matter how distinguished the architecture. The key becomes understanding what inhabits this homogenized state-of-the-art urban landscape that recurs in city after city. We will find far more diversity and distinct specializations across these cities than the newly-built urban landscapes suggest. The global economy requires a standardized global infrastructure, with global cities the most complex of these infrastructures. But the actual economic operations, especially on the organizational side, thrive on specialized differentiation. Thus as the global economy expands and includes a growing diversity of national economies, it is largely in the global cities of each of these that the work of capturing the specialized advantage of a national economy gets done. To do this work requires state-of-the-art office districts, infrastructures and all the requirements of luxury living. In that sense then, much of this architectural environment is closer to inhabited infrastructure, inhabited by specialized functions and actors.

But these conditions themselves have produced a variety of responses, from renewed passions for aestheticising the

2. The 16 cities profiled in the Corderie at the 10<sup>th</sup> International Architecture Exhibition.

city, preserving the city and ensuring the public-space aspect of cities. The massive scale of today's urban systems has brought with it a revaluing of 'terrains vagues' and of modest spaces, where the practices of people can contribute to the making of public space, beyond the monumentalized public spaces of state and crown. Micro-architectural interventions can build complexity into standardized spaces. This type of built complexity can in turn engage the temporary publics that take shape in cities in particular spaces at specific times of the day or night.

The city is one moment in often complex processes that are partly electronic, such as electronic markets, or part of hidden infrastructures, such as fibre optic cables. Embedded software for handling mass systems, such as public transport and public surveillance, is an often-invisible layer in a growing number of cities. Such embedded software is guided by logics that are not necessarily part of the social repertory through which we understand those systems. As the use of embedded software expands to more and more infrastructures for daily life, we will be interacting increasingly with the artefacts of technology. Technical artefacts gradually become actors in the networks through which we move. Buildings today are dense sites for these types of interactions. These acute concentrations of embedded software, and of connectivity infrastructures for digitised space, make the city less penetrable for the ordinary citizen.

Yet at the same time, the city is also potentially the site where all these systems can become visible, a potential further strengthened by the multiple globalities—from economic to cultural to subjective—that localize partly in cities. This in turn brings up political challenges; at various points in history cities have functioned as spaces that politicized society. This is, again, one of those periods. Today's cities constitute the terrain where people from all over the world intersect in ways they do not anywhere else. In these complex cities, diversity can be experienced through the routines of daily life, workplaces, public transport and urban events such as demonstrations or festivals. Furthermore, insofar as powerful global actors are making increasing demands on urban space and thereby displacing less-powerful users, urban space becomes politicized in the process of rebuilding itself. This is politics embedded in the physicality of the city. The emergent global movement for the rights to the city is one emblematic instance of this struggle. In urbanizing rights it makes them concrete: the right to

public space, to public transport, to good neighbourhoods.

One question is whether a new type of politics is being shaped through these conflicts; a politics that might also make the variety of inter-city networks into platforms for global governance. Most of today's major social, political and economic challenges are present in cities, often in both their most acute and their most promising forms: the sharpest juxtapositions of the rich and the poor, but also struggles for housing; anti-immigrant politics, but also multiple forms of integration and mixing; the most powerful and globalized economies, but also a proliferation of informal economies; the most powerful real estate developers, but also the largest group of builders in the world today: people making shanty dwellings. How can we not ask whether networks of cities can become platforms for new types of global governance?

#### Cities in the world: then and now

Cities have long been at the intersection of cross-border processes; flows of capital, labour, goods, raw materials, merchants, travellers. Asia and Africa have seen some of the oldest and vastest of these flows, Europe some of the densest. Cities were strategic spaces for the economies and cultures that arose out of these flows and for the housing of power: economic, political and symbolic. The widespread formation of nation-states that took off about a hundred years ago brought with it a move away from these older patterns; the project became one of national territorial integration. From the perspective of this new political economy, cities were mostly routine administrative centres. If anything, the strategic spaces had become the suburbs and the mass manufacturing districts, with the state the critical actor, whether the Keynesian state or the centralized planning state.

It is this last condition, the state as the critical actor, that began to change in the 1980s, accelerated in the 1990s and continues today. Diverse dynamics contributed to the shift: economic, technological, cultural and political. In the economy, it was a result of the privatization of public sector operations, deregulation of the economy, the emergence of new information technologies, the opening of national economies to foreign firms and foreign professionals and the growing participation of national firms and professionals in global markets. States continue to matter and wherever there is war, they play key roles.

## Commodity exchanges

RANK	ALL SERVICE SECTORS	COMMODITY	EXCHANGE
1	LONDON	LME	London Metal Exchange
2	NEW YORK	LIFFE	London International Financial Futures Exchange
		NYCE	New York Futures Exchange (Division of NYBOT)
		NYMEX	New York Mercantile Exchange (Division of NYBOT)
3	TOKYO	TCE	Tokyo Commodity Exchange (formerly TOCOM)
		TGE	Tokyo Grain Commodity Exchange
4	MILAN	SIA	Italian Stock Exchange/Milan Domestic Futures Exchange
5	SÃO PAULO	BM&F	Bolsa de Mercadorias & Futuros (São Paulo)
6	BUENOS AIRES	MTBA	Mercado Termino Buenos Aires
7	MUMBAI	BOOE	Bombay Oilseeds and Oils Exchange
8	SHANGHAI	SHFE	Shanghai Futures Exchange
9	MOSCOW	IRUCE	Inter-republican Universal Commodity Exchange
		MNFME	Moscow Non-Ferrous Metal Exchange
10	ISTANBUL (IST)	ITB	Istanbul Commodity Exchange
		IAB	Istanbul Gold Exchange

3. Commodity exchanges (within 24-city sample). LONDON SCHOOL OF ECONOMICS RESEARCH.

4. Commodity gold. LONDON SCHOOL OF ECONOMICS RESEARCH.

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## Commodity Gold



4

While states are still the main global actors, they have lost at least some economic, political and symbolic ground to other actors: global firms and global cities. Global firms have taken over functions and governance capabilities from national states and the 100 richest firms are richer than most except the 20 richest states. The major international flows of people that may have dominated an era (crusaders, armies, colonial functionaries) were once coordinated by states. Today's major international flows of people are more likely to be immigrants, transnational professionals and tourists. In many parts of the world and among many population groups, urban culture is today a far more compelling image than national culture and is becoming increasingly experienced as part of a transnational urbanity. As more and more people live in small towns and suburbs, the large, complex city becomes a tourist destination not just for its museums and monuments, but for its urban surprises, urban dwellers as exotica.

**But why do cities matter for today's global economy?** Much is known about the wealth and power of today's global firms. Their ascendance in a globalizing world is no longer surprising. And the new information and communication technologies are typically seen as the handmaidens of economic globalization, both as tools and as infrastructure. Less clear is why cities should matter more today in a globalized world than they did in the Keynesian world of the mid-1900s. Today we see a growing number of cities emerging as strategic territories that contribute to articulate a new global political economy. Architecture, urban design and urban planning have each played critical roles in the partial rebuilding of cities as platforms for a rapidly-growing range of globalized activities and flows, from economic to cultural and political.

One way of thinking about the global economy is in terms of the many highly-specialized circuits that constitute it. Different circuits contain different groups of countries and cities. Viewed this way, the global economy becomes concrete and specific, with a well-defined geography. Globally traded commodities like gold, butter, coffee, oil or sunflower seeds are redistributed to a vast number of destinations, no matter how few the points of origin are in some cases. With globalization, of course, this capacity to redistribute globally has grown sharply. The planet is crisscrossed by these trading circuits.

This networked system also feeds unnecessary mobilities, because the intermediary economy of specialized

services thrives on mobilities. Thus in the case of the UK economy, a study by the New Economics Foundation and the Open University of London found that in 2004, the UK exported 1,500 tonnes of fresh potatoes to Germany, and imported 1,500 tonnes of the same product from the same country; it also imported 465 tonnes of gingerbread, but exported 460 tonnes of the same product; and it sent 10,200 tonnes of milk and cream to France, yet imported 9,900 tonnes of the same dairy goods from France.

The global map tightens when what is getting traded is not the butter or coffee as such, but rather financial instruments based on those commodities. The map of commodity futures (picture 3) shows us that most financial trading happens in 20 financial futures exchanges, most of which are included in the 16 cities profiled in this Architecture Biennale. These 20 include the usual suspects, New York and London, but in perhaps less familiar roles as well. Thus, New York City, the famous coffee producer, accounts for half of the world's trading in coffee futures. London, not necessarily famous for its mining, is the largest futures trader in the metal palladium. But besides these two major financial centres, these 20 also include Tokyo as the largest trader in platinum, São Paulo as one of the major traders in both coffee and gold, and Shanghai in copper. Finally, some of these centres are highly-specialized in unexpected ways: for example, we have London in control of potatoes.

The map tightens even further when we aggregate the 73 commodities thus traded into three major groups. Five major global futures exchanges (NYME, LME, CBOT, TCOM and ICE Futures) located respectively in New York, London, Chicago, Tokyo and Atlanta concentrate 76% of trading in these 73 commodities futures traded globally. Aggregated into three major groups, one single market clearly dominates in each. For agricultural commodities futures, the CBOT (Chicago) controls most global trading; for energy it is the NYME (New York); and for metals, the LME (London).

This escalation in the capacity to control points to the multiple global economic spaces that are being generated. Thus the commodities themselves come from well over 80 countries and are sold in all countries of the world, although only about 20 financial exchanges control the global commodities futures trading. This tighter map of commodities futures trading begins to show us something about the role of cities in today's globalizing and increasingly electronic economy.

## Global service connectivity

5 Global service connectivity.  
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GENERAL	CONNECTIVITY	ADVERTISING	CONNECTIVITY	LAW	CONNECTIVITY	MANAGEMENT CONSULTING	CONNECTIVITY
LONDON	1,00	NEW YORK CITY	1,22	LONDON	1,00	NEW YORK CITY	1,06
NEW YORK CITY	0,97	LONDON	1,00	NEW YORK CITY	0,90	LONDON	1,00
HONG KONG	0,73	HONG KONG	0,77	FRANKFURT	0,70	PARIS	0,88
TOKYO	0,70	AMSTERDAM	0,72	HONG KONG	0,69	MADRID	0,79
PARIS	0,69	SYDNEY	0,70	WASHINGTON	0,66	STOCKHOLM	0,78
SINGAPORE	0,67	SINGAPORE	0,69	BRUSSELS	0,62	MILAN	0,78
CHICAGO	0,63	TORONTO	0,69	PARIS	0,56	TORONTO	0,74
LOS ANGELES	0,59	TOKYO	0,66	SINGAPORE	0,55	SINGAPORE	0,74
MILAN	0,59	MIAMI	0,65	TOKYO	0,51	CHICAGO	0,74
FRANKFURT	0,58	FRANKFURT	0,65	MOSCOW	0,44	WASHINGTON	0,71
SYDNEY	0,58	MILAN	0,64	AMSTERDAM	0,40	SYDNEY	0,68
MADRID	0,57	PARIS	0,64	BERLIN	0,39	HONG KONG	0,68
BRUSSELS	0,56	MADRID	0,64	PRAGUE	0,38	ZURICH	0,66
AMSTERDAM	0,56	MELBOURNE	0,61	BUDAPEST	0,38	BOSTON	0,66
TORONTO	0,55	TAIPEI	0,59	LOS ANGELES	0,35	BRUSSELS	0,64
SÃO PAULO	0,53	LISBON	0,58	CHICAGO	0,34	TOKYO	0,63
SAN FRANCISCO	0,50	MUMBAI	0,58	MUNICH	0,33	SÃO PAULO	0,62
ZURICH	0,48	BRUSSELS	0,58	DUSSELDORF	0,32	AMSTERDAM	0,61
MEXICO CITY	0,46	COPENHAGEN	0,56	MILAN	0,31	BUENOS AIRES	0,60
BUENOS AIRES	0,46	SÃO PAULO	0,54	BANGKOK	0,29	KUALA LUMPUR	0,53

5

It is here that global cities enter the picture. They are not the places where commodities are produced, but they are the places where commodity futures are invented so as to facilitate the global trading of these commodities and partly manage some of the associated risks. They are the places where these futures are traded. It brings to the fore the distinction between the sites and networks for producing the actual good and the sites and networks for managing and coordinating the trading of the actual good and the financial instruments they support. It makes concrete what is one of the main counterintuitive trends we see in today's global economy: that the more globalized and non-material the activity, the more concentrated the global map of those activities. This is a puzzle, especially since location in major cities brings added costs to the operations of firms and exchanges. Cities contain the clues to the answer. But before developing that answer, an examination of other such global maps, beyond commodities and commodities futures. An examination of the global networks of global service firms, migration flows and flight patterns shows us a far more distributed global map.

### The global connectivity of Biennale cities

Here we examine the same types of questions, but with a focus on the top 100 specialized corporate services firms in law, advertising, management consulting, accounting and insurance. These firms operate in 315 cities worldwide, each firm with offices (either headquarters or branches) in at least 15 countries. Each of the sixteen cities profiled in the international exhibition of the 10th Venice Architecture Biennale has some of these offices.

These global firms produce and deliver critical inputs for firms, markets and even governments around the world. They service the types of firms involved in the commodity trading and futures markets and the financial services firms described later. And they service architectural and engineering firms, major international art exhibitions, Biennales and avant-garde circuses. In brief, they are in the business of specialized servicing and ready to service the latest inventions not only in the world of firms, but in any world.

Mapping their global operations shows almost the opposite of the sharp concentration of the financial futures exchanges. The servicing operations of these firms are in demand everywhere. When countries open up to foreign firms and investors and allow their markets to become

integrated into global markets, it is often foreign service firms that take over the most specialized servicing. This is, clearly, one particular mapping of interconnectivities among a group of very diverse cities

What follows is confined to the inter-city connections among 24 selected cities, including our 16 Biennale cities, rather than the 315 cities in the original data-set generated by Peter Taylor and his colleagues at the GaWC project, who have generously put the data in the public domain. What the numbers capture is the extent to which these 24 cities are connected through the office networks of these 100 firms. This information is one microcosm of a pattern that repeats itself over and over with a variety of other types of transactions, such as the almost meaningless measure of a city with McDonald's outlets or the extreme concentration of the commodities futures discussed earlier. Against this background, the connectivity measures of such office networks are a middle ground, very much a part of the infrastructure for the new inter-city geographies (picture 7).

Except for Turin and Lagos, all the cities in our sample are in the top third of the 315 cities where these firms either have headquarters or branches. Five of our 24 cities (picture 5) are among the top ten of the worldwide total for the 315 cities where these firms have operations. London and New York stand out in our sample, as they do in the world generally, with vastly higher levels of connectivity than any other city. A second, rather diverse grouping for the 24 cities includes Tokyo, Milan, Los Angeles and São Paulo. A third grouping includes Mexico City, Jakarta, Buenos Aires, Mumbai, Shanghai and Seoul; a fourth grouping Moscow, Johannesburg, Istanbul, Manila and Barcelona; and a fifth group Caracas, Bogotá, Berlin, Dubai and Cairo. Turin and Lagos are at a considerably lower level of connectivity. Yet we should clarify that Turin, with the lowest connectivity of our selected cities, nonetheless houses offices of 14 of these global firms, pointing to the extent to which these firms network the world, albeit on their specialized and partial terms.

Some of these outcomes reflect key patterns in the remaking of space economies. Thus Berlin and Turin rank low because the major international financial and business centres in their respective countries, Frankfurt and Milan, are extremely powerful in the global network and concentrate a growing share of the global components in their national economies. This is a pattern that recurs

in all countries; I return to it in the next section. In banking and finance, Jakarta's connectivity is high because it is a major and long established banking centre for the Muslim world in Indonesia's geopolitical region and hence is of great interest to Western firms but is also in need of these firms to bridge into the West. Shanghai's connectivity is high because it is one of the major financial centres for its region and has become the leading national stock market in China –with Hong Kong having regained its position as China's leading international financial centre. South Korea is the tenth largest economy in the world and has undergone significant deregulation after the 1997 Asian financial crisis. It has made Seoul an attractive site for Western financial firms as foreign investors have been buying up a range of holdings in both South Korea and Thailand since the 1997 financial crisis.

Dubai is an interesting case that points to the making of a whole new region, one not centred in the operational map of our top 100 global service firms. Only in the last few years has Dubai become an important financial and business centre at the heart of a new emergent region that stretches from the Middle East to the Indian Ocean; its financial global connectivity is not principally derived from Western financial firms but increasingly its own and its region's firms. Its specific financial connectivity is not picked up when we focus on the interactions among the 24 cities, but its accounting connectivity is extremely high for the very simple reason that Western style accounting rules the world.

When we disaggregate these global connectivity measures by specialized sectors, there is considerable reshuffling because of the high level of specialization that marks the global economy. In accountancy, Mexico City and perhaps most dramatically, Dubai and Cairo, move to the top. These cities are becoming deeply connected with global economic circuits, they mediate between the larger global economy and their regions and hence they offer the top global accounting firms plenty of business. In contrast Shanghai moves sharply down; the global accounting firms have set up their operations in Beijing because going through the Chinese government remains critical.

The other sectors evince similar reshufflings. The often sharp changes in the degree of connectivity for different sectors in a given city is generally due to misalignments between global standards for legal and accounting services and the specifics of the national systems. Global insurance firms have clearly decided that locating in Johannesburg

and Shanghai makes sense, as these move to the top ten among our selected cities. It signals that the domestic insurance sector is either insufficiently developed or is too 'unwestern' to satisfy firms and investors and hence foreign insurance firms can gain a strong foothold. The low connectivity of Seoul and Mumbai tells us that the domestic insurance sector is taking care of business. The high connectivity for legal services in the case of Moscow, São Paulo and Shanghai, which all move into the top 10, signals the need for Western style legal services in a context of growing numbers of foreign investors and firms. São Paulo, for instance, hosts about 70 financial services firms from Japan alone. In management and consultancy, Buenos Aires, São Paulo, Seoul and Jakarta move into the top ten of the 24 cities, in good part due to the dynamic opening up of their national economies in the 1990s and the resulting opportunities for foreign and national firms and investors. Barcelona, Mumbai and Cairo have drawn far fewer of our global 100 service firms because either the domestic sector could provide the services, as is the case in Mumbai and Cairo, or the opportunities lie elsewhere, as is suggested by Spain's massive investments throughout Latin America and now even including banking in the UK. For the top 100 global advertising firms, Mumbai and Buenos Aires, both with rich cultural sectors and industries, were a strong draw. Again, the weaker presence of global advertising firms in Cairo and Dubai is due to these cities' sharper orientation to their emergent region. London has the strongest presence of these global firms in accounting, banking/finance and insurance, and New York is strongest in advertising and management consulting. It should be noted that this dominance is due mostly to the sharp concentration of headquarters, as well as branches.

The global map produced by the operations of the top 100 service firms is dramatically different from that produced by the financial trading of commodity futures, which is in turn different from that of the trading in the actual commodities. The extreme concentration evident in finance would stand out even more if we drew a map of goods trading and the innumerable criss-crossing circuits connecting points of origin and destination.

Similarly, the global maps of immigration flows and airplane travellers are also far broader and involve hundreds and hundreds of cities. Many of the selected cities receive immigrants. The highest share is, not unexpectedly, in Dubai, with 82% of its population foreign born, followed by

Los Angeles and New York with well over 30%, London just under 30%, to under ten percent in most of our cities and about 1 % in Jakarta, Cairo and Mexico City.

We looked at flights among the group of 24 cities to get a measure of each city's percentage of the total of flights among them. This information was derived from a far larger sample produced by Ben Derudder at the University of Ghent, who kindly has put this in the public domain. To avoid the distortion of hubs, we used the full trip. Not unexpectedly New York, London and Los Angeles have the largest number of connections within the group of 24 and with the world. NY dominates traffic with Latin America, Los Angeles with Asia and London dominates global routes. Links among these three top hubs are strong. Further, there are strong connections between particular sets of cities: Dubai and Cairo, Mumbai and Johannesburg; Johannesburg and London; Lagos and London, New York and Johannesburg. One of the strongest links is Shanghai and Tokyo and also Shanghai and Taipei. Six of our cities are among the top 20 of the 315 cities as measured by airline passenger traffic. In actual numbers of arrivals and departures, several of the 24 selected cities are among the top of the 150 cities with the largest numbers: London between 30 and 32 million, New York between 28-30 million, Paris 18-20 million, Los Angeles 16-18 million, Milan 8-10 million, Madrid and Tokyo between 6 to 8 million. The numbers for Mexico, Dubai, São Paulo, Berlin, Mumbai, Johannesburg and Seoul, each range from 4 to 6 million. Buenos Aires, Cairo, Istanbul, Shanghai, Jakarta and Moscow handle from 2 to 4 million and the remaining cities below 2 million.

#### **The most strategic and tightest inter-city geography**

Finance is probably the most extreme case for examining the question as to why the thick places that are cities should matter for global and largely electronic economic sectors. And we know that they do matter. Global finance today moves between electronic space and a network of about 40 very material financial centres worldwide. The question we actually need to ask is why does a global electronic market for the trading of digital instruments need financial centres at all, let alone a network of them? If anything, we might argue that one super financial centre should do. Examining the utility of the network of financial centres provides the most extreme answer to the general question as to why cities matter.

The geography of global finance evinces three major patterns. One is that the number of globally-articulated

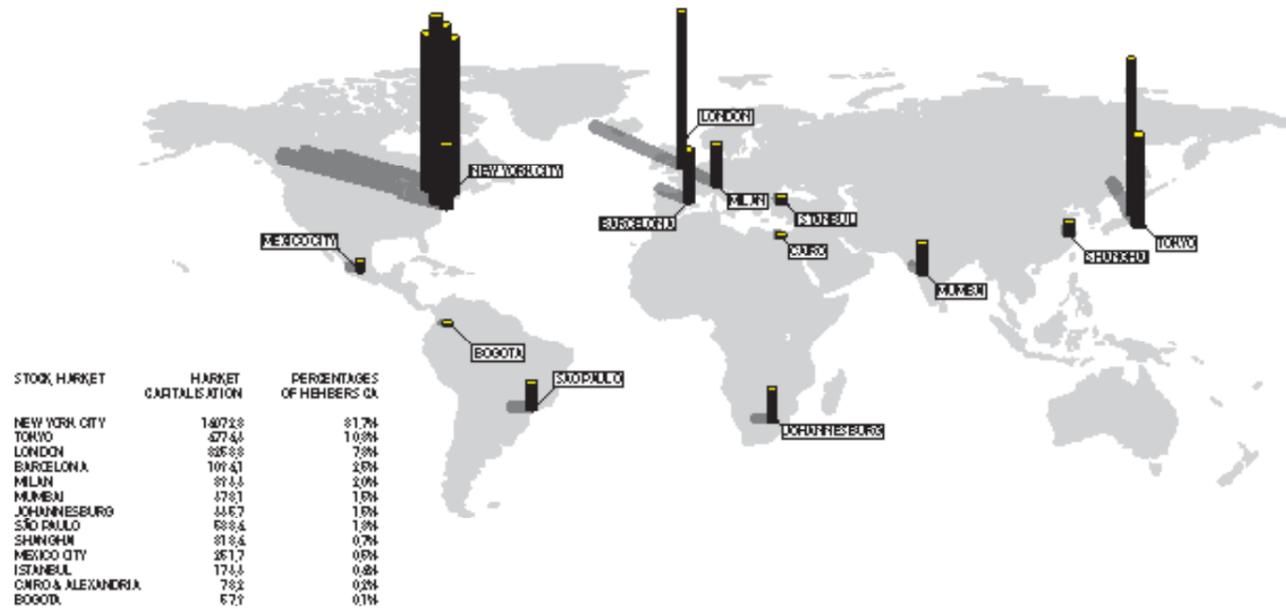
financial centres began to grow sharply in the 1990s with the deregulation of their respective economies, a trend that continues today but at a slower rate. Mexico City, Buenos Aires, Istanbul, Mumbai, Shanghai and numerous other financial centres joined the global network in the 1990s. Such integration does not mean that all financial centres are located on the same financial circuits. Global finance is made up of multiple specialized circuits, well beyond those briefly discussed for commodity futures. Each of these specialized circuits involves specific groups of cities. Thus although London and New York are the largest financial centres in the world, when we disaggregate global finance into these specialized circuits, several other cities dominate in some of these circuits, notably Chicago in commodity futures trading.

A second major pattern is that notwithstanding the growth in the number of centres and in the overall volume of global finance, there is sharp concentration in the major centres. The commodities futures made this clear already. It is also evident in stock markets (picture 6).

A third major pattern is the growing concentration of global finance in a single financial centre within each country, even when that country has multiple financial centres. Further, this consolidation of one leading financial centre in each country is due to rapid financial growth and not because the other centres are declining. There are exceptions, but they are rare. In France, Paris today concentrates larger shares of most financial sectors than it did 10 years ago and once important stock markets like Lyon have become 'provincial' even though Lyon is today the hub of a thriving economic region. Milan privatized its exchange in September 1997 and electronically merged Italy's 10 regional markets. Frankfurt now concentrates a larger share of the financial market in Germany than it did in the early 1980s and so does Zurich, which once had Basel and Geneva as significant competitors.

We might think that this concentration inside countries is due to the relatively small size of these countries. But that is not the case. In the U.S. for instance, the aggregate global financial sector in New York dwarfs all other financial centres, including Chicago. The fact that Chicago concentrates far more of the global commodity futures than New York, does not significantly override New York's aggregate financial concentration. The question then becomes why such enormous concentration in one financial centre in this vast country with a multi-polar urban system? Sydney and Toronto have equally gained

## Stock market capitalisation



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7

6. Stock market capitalisation. LONDON SCHOOL OF ECONOMICS RESEARCH.

7. Intercity geographies. PHOTO HILARY KOOB SASSEN.

power in continental-sized countries and have taken over functions and market share from what were once the major commercial centres, respectively Melbourne and Montreal. So have São Paulo and Mumbai, which have gained share and functions from respectively Rio de Janeiro in Brazil and New Delhi and Calcutta in India. These are all huge countries with several major cities; one might have thought that they could sustain several similarly weighty financial centres.

Why is it that at a time of rapid growth in the network of financial centres, in overall volumes and in placeless electronic transactions, we have such sharp trends towards concentration both at the global level and within each country? Both globalization and electronic trading are about expansion and dispersal beyond what had been the confined realm of national economies and floor trading. Geographic dispersal would seem to be a good option given the high cost of operating in major financial centres. Further, the geographic mobility of financial experts and financial services firms has risen sharply. In brief, the weight of major centres inside each country is, in a way nonsensical, especially given multiple cities in each of these countries. But so is, for that matter, the existence of an expanding network of financial centres. Indeed, one might well ask why financial centres matter at all.

### The ongoing weight of centrality and density: the other side of global dispersal

Cities have historically provided national economies, polities and societies with something we can think of as centrality. The usual urban form for centrality has been density, specifically the dense downtown. The economic functions delivered through urban density in cities have varied across time. But they are always a variety of agglomeration economies, no matter how much their content might vary depending on the sector involved. While the financial sector is quite different from the cultural sector, both benefit from agglomeration, but the content of these benefits can vary sharply. One of the advantages of central urban density is that it has historically helped defray the risk of insufficient variety. It brings with it diverse labour markets, diverse networks of firms and colleagues, concentrations of diverse types of information on the latest developments and diverse marketplaces.

The new information and communication technologies (ICTs) should have neutralized the advantages of centrality

and density. No matter where a firm or professional is located, they should have access to many of the needed resources. In fact, the new ICTs have not quite eliminated centrality and density and hence the role of cities as economic and physical entities. Even as much economic activity has dispersed, the centres of a growing number of cities have expanded physically, at times simply spreading and at times in a multi-nodal fashion. The outcome is a new type of space of centrality in these cities: it has physically expanded over the last two decades, a fact we can measure it and it can assume more varied formats, including physical and electronic formats. The geographic terrain for these new centralities is not always simply that of the downtown; it can be metropolitan and regional. In this process, the geographic space in a city or metro area that becomes centralized often grows denser than it was in the 1960s and 1970s. This holds for cities as different as Zurich and Sydney, São Paulo and London, Shanghai and Buenos Aires.

The global trend of expanded newly-built and rebuilt centralized space suggests an ironic turn of events for the impact of ICTs on urban centrality. Clearly, the spatial dispersal of economic activities and workers at the metropolitan, national and global level that began to accelerate in the 1980s represents only half of what is happening. New forms of territorial centralization of top-level management and control operations have appeared alongside these well-documented spatial dispersals. National and global markets as well as globally-integrated operations require central places where the work of globalization gets done, as shown by the case of financial centres.

Centrality remains a key feature of today's global economy. But today there is no longer a simple, straightforward relation between centrality and such geographic entities as the downtown, or the central business district (CBD). In the past and up to quite recently, the centre was synonymous with the downtown or the CBD. Today, partly as a result of the new ICTs, the spatial correlates of the centre can assume several geographic forms, ranging from the CBD to the new global grid comprising the 40 global cities discussed earlier.

There are several logics that explain why cities matter to the most globalized and digitized sectors in a way they did not as recently as the 1970s. Here I briefly focus on three of these logics.

The first one concerns technology and its many misunderstandings. When the new ICTs began to be widely used in the 1980s, many experts forecast the end of cities as strategic spaces for firms in advanced sectors. But it was the routine sectors that left cities while advanced sectors kept expanding their operations in more and more cities. Today's multinationals have over one million affiliates worldwide. But they also have expanded their central headquarter functions and fed the growth of a separate specialized services sector from which they are increasingly buying what they once produced in-house. Why were those experts so wrong? They overlooked a key factor: when firms and markets use these new technologies they do so with financial or economic objectives in mind, not the objectives of the engineer who designed the technology. As I have explained in detail in some of my other work, the logics of users may well thwart or reduce the full technical capacities of the technology. When firms and markets globalize their operations thanks to the new technologies, the intention is not to relinquish control over the worldwide operation or appropriation of the benefits of that dispersal. Insofar as central control is part of the globalizing of activities, their central operations expand as they expand their operations globally. The more powerful these new technologies are in allowing centralized control over globally dispersed operations, the more these central operations expand. The result has been expanded office operations in major cities.

Thus the more these technologies enable global geographic dispersal of corporate activities, the more they produce density and centrality at the other end; the cities where their headquarter functions get done.

A second logic explaining the ongoing advantages of spatial agglomeration has to do with the complexity and specialization level of central functions. These rise with globalization and with the added speed that the new ICTs allow. As a result global firms and global markets increasingly need to buy the most specialized legal, accounting, consulting and other such services. These service firms get to do some of the most difficult and speculative work. To do this work they benefit from being in complex environments that function as knowledge centres because they contain multiple other specialized firms and high level professionals with worldwide experience. Cities are such environments, with the 40 plus global cities in the world the most significant of these environments, but a growing number of other cities developing one or another element of such environments.

A third logic concerns the meaning of information in an information economy. There are two types of information. One is the datum, which may be complex yet is standard knowledge: the level at which a stock market closes, a privatization of a public utility, the bankruptcy of a bank. But there is a far more difficult type of 'information', akin to an interpretation, evaluation or judgment. It entails negotiating a series of data and a series of interpretations of a mix of data in the hope of producing a higher order datum. Access to the first kind of information is now global and immediate from just about any place in the highly developed world and increasingly in the rest of the world thanks to the digital revolution. But it is the second type of information that requires a complicated mixture of elements (the social infrastructure for global connectivity), which gives major financial centres a leading edge. When the more complex forms of information needed to execute major international deals cannot be retrieved from existing databases no matter what one can pay, then one needs the social information loop and the associated de facto interpretations and inferences that come with bouncing off information among talented, informed people. It is the importance of this input that has given a whole new importance to credit rating agencies, for instance. Part of the rating has to do with interpreting and inferring. When this interpretation becomes 'authoritative' it becomes 'information' available to all. The process of turning inferences or interpretations into 'information' takes quite a mix of talents and resources.

In brief, the density of central places provides the social connectivity that allows a firm or market to maximize the benefits of its technological connectivity (picture 7).

#### **Specialized urban spaces and intercity connectivities: A world apart**

The network of about 40 global cities in the world today provides the organizational architecture for cross-border flows. A key feature of this organizational architecture is that it contains both the capabilities for organizing enormous geographic dispersal and mobility and the capabilities for maintaining centralized control over that dispersal. The management and servicing of much of the global economic system takes place in this growing network of global cities and regions. While this role involves only certain components of urban economies, it has contributed to a re-positioning of cities both nationally and globally.

The types of activities described above are part of a new type of urban economy that is most pronounced in global cities but also is emerging in smaller and less globalized

cities. This new urban services-centred core has mostly replaced the older typically more manufacturing oriented core of service and production activities. In the case of cities that are global business centres, the scale, power and profit levels of this new core suggest that we are seeing the formation of a new urban economy. Even though these cities have long been centres for business and banking, since the early 1980s there have been dramatic changes in the structure of the business and financial sectors and a sharp ascendance of a cultural sector. The sharp increases in the overall magnitude of these sectors, their weight in the urban economy and the critical mass of high-income professional jobs they generate, all have altered the character of cities. This mix has contributed distinct economic, social and spatial patterns in cities beginning in the late 1980s and early 1990s in much of the highly developed world and in the 1990s and onward in major cities in the rest of the world.

The growth of this services core for firms is also evident in cities that are not global. Some of these cities serve regional or sub-national markets; others serve national markets and/or global markets. While regionally- and nationally-oriented firms need not negotiate the complexities of international borders and the regulations of different countries, they are still faced with a regionally-dispersed network of operations that requires centralized control and servicing and the full range of corporate business services: insurance, legal, accounting, advertising and the like. Also in these cities we see an increase in high-income professional jobs and thereby growth in sectors linked to quality of life, including the cultural sector. Thus the specific difference that globalization makes in this general trend of growing service intensity in the organization of the economy is to raise the scale and the complexity of transactions and the orders of magnitude of profits and incomes.

The implantation of global processes and markets has had massive consequences for the restructuring of large stretches of urban space. The meanings and roles of architecture and urban design are destabilised in cities marked by digital networks, acceleration, massive infrastructures for connectivity. Older meanings of architecture and urban design do not disappear, they remain crucial. But they cannot always comfortably address these newer meanings and presences in the urban landscape.

Particular urban spaces are becoming massive concentrations of new technical capabilities. Particular buildings are the sites for a multiplication of interactive

technologies and distributed computing. And particular global communication infrastructures are connecting specific sets of buildings worldwide, producing a highly-specialized interactive geography, with global firms willing to pay a high premium in order to be located within it. AT&T's global business network now connects about 485,000 buildings worldwide. This is a specific inter-city geography that fragments the cities where these buildings are located. The most highly-valued areas of global cities, particularly financial centres, now contain communication infrastructures that can be separated from the rest of the city, allowing continuous upgrading without having to spread it to the rest of the city. And they contain particular technical capabilities, such as frame relays, which most of the rest of the city lacks. This specialized layer of connectivity is perhaps most visible and easiest to appreciate if we take the types of global networks that AT&T (see picture 8, 9), for instance, has set up for multi-national firms. Multiplying this case for thousands of multi-national firms begins to give us an idea of these new inter-city connectivities, largely invisible to the average citizen.

Such globally-networked spaces of centrality are in their aggregate a platform for global operations of firms and markets. One question this raises, to which I will return in the final section, is whether they can also be used for governance purposes.

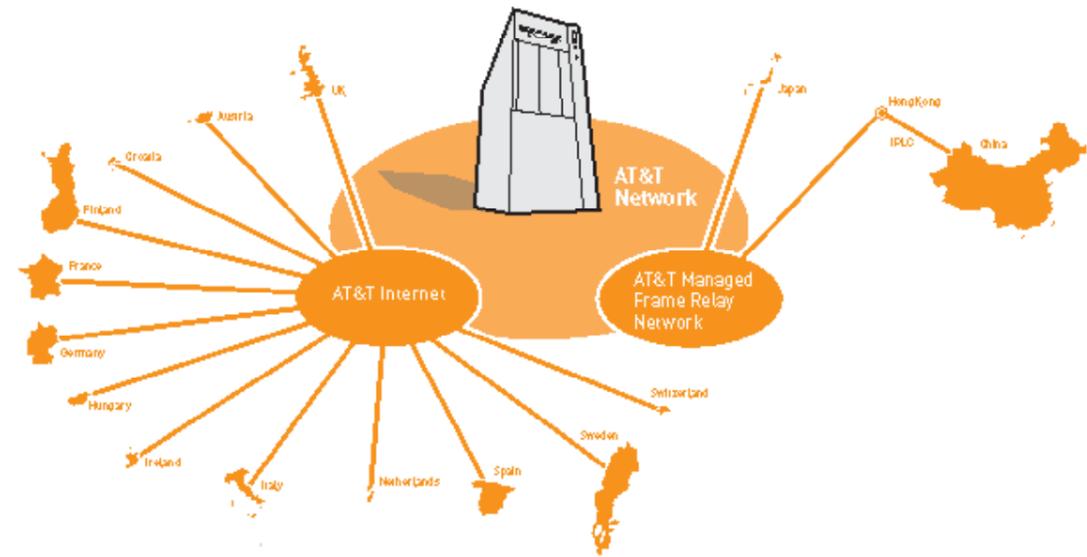
The globalized sector has imposed a new valorization dynamic in the urban economy; a new set of criteria for valuing or pricing various economic activities and outcomes. The result is not simply a quantitative transformation. It can have devastating effects on large sectors of the urban economy, even as it contributes enormous dynamism. At different times different cities have been emblematic of this creative destruction: New York, Tokyo and London in the 1980s, Buenos Aires and Mumbai in the 1990s (and Mumbai again today) and Shanghai as we moved into the twenty-first century.

#### **The Other economy in global cities**

In these cities we also see a rapid proliferation of types of firms and types of economic spaces we think of as backward, as unconnected to the advanced urban economy. This is most visible and controversial in the global cities of highly developed counties. Involved are mostly familiar activities: garment manufacturing, construction, transport, packaging, catering, auto repair and so on. These are all licit activities. But they are taking place outside the regulatory



## AT&T network for Olympus



framework in a context where those activities are regulated. We call these informal economies and in a context of state regulation these economies can only be understood in their relation to the formal economy, that is to say, income-generating activities that adhere to existing regulations. Such informal economies have long existed in the cities of the less developed world and they include today's vast numbers of shanty dwellers, the largest group of builders in the world.

One problem in understanding the meaning of these informal economies in the global cities of the highly developed world is that analysts and policy makers often group informal and illegal activities. Both are simply classified as breaking the law. This obscures the two questions we should really be asking. Why have these licit activities gone informal? These are activities that could be done above ground, unlike illegal activities such as tax

evasion or trading in banned drugs. Secondly, why have they gone informal now after a century of successful effort to regulate them in most developed countries and certainly in Europe and in Japan?

Seen in this way, the recent growth of informal economies in major global cities in North America, Western Europe and to a lesser extent, Japan, raises a number of questions about what is and what is not part of today's advanced urban economies. Typically this informality is seen as the result of a failure of government regulation and as an import from the less-developed world by immigrants replicating survival strategies typical of their home countries. Related to this view is the notion that 'backward' sectors of the economy are kept backward or even alive, because of the availability of a large supply of cheap immigrant workers. The notion of government failure and economic

9. AT&T network for Olympus.  
LONDON SCHOOL OF ECONOMICS RESEARCH.

backwardness also excludes the possibility of a new type of informal economy emerging in the global cities of the less developed world; the assumption is that nothing has really changed in the longstanding informal economies of the global south.

In my reading of the evidence all of these notions are inadequate; they capture only a small part of this new reality in-the-making. Many of today's informal activities are actually new types of economies linked to key features of advanced capitalism, as I discuss in the next section. This in turn also explains the particularly strong presence of informal economies in global cities. And it contributes to explain a mostly overlooked development: the proliferation of an informal economy of creative professional work in these cities: artists, architects, designers and software developers. Finally, we are seeing similar trends towards the emergence of the new types of informal economy also in major cities in Latin America, Africa and much of Asia.

In brief, the new informal economy in global cities is part of advanced capitalism. One way of putting it, is that the new types of informalization of work are the low cost equivalent of formal deregulation in finance, telecommunications and most other economic sectors in the name of flexibility and innovation. The difference is that while formal deregulation was costly and tax revenue as well as private capital went into paying for it, informalization is low-cost and largely on the backs of the workers and firms themselves.

In the case of the new, creative professional informal economy, these negative features are mostly absent and informalization greatly expands opportunities and networking potentials. There are strong reasons why these artists and professionals operate at least partly informally. It allows them to function in the interstices of urban and organizational spaces often dominated by large corporate actors and to escape the corporatization of creative work. In this process they contribute a very specific feature of the new urban economy: its innovation and a certain type of frontier spirit. In many ways this represents a reinvention of Jane Jacobs's urban economic creativity.

Rather than assume that Third World immigration is causing informalization in the global cities of the north, we need to examine the role such immigration might or might not play in this process. Immigrants, insofar as they tend to form communities, may be in a favourable position to seize

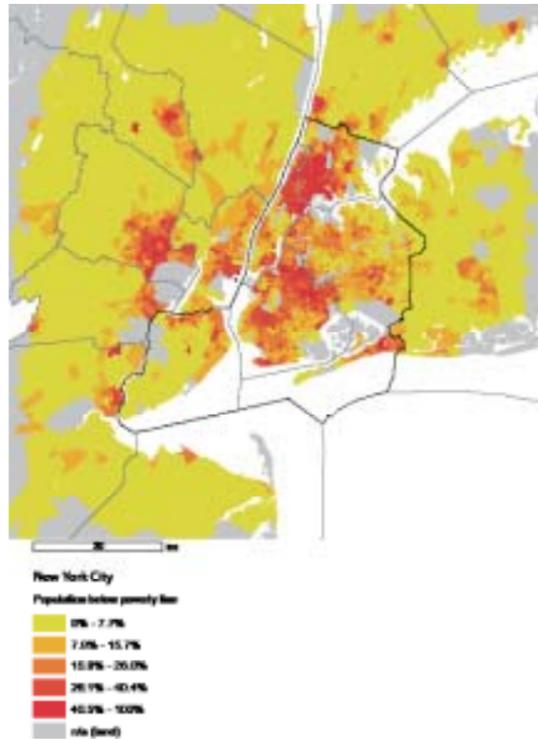
the opportunities represented by informalization. But the opportunities are not necessarily created by immigrants. They may well be a structured outcome of current trends in advanced economies. Again the case of growing informal professional creative economies in cities as varied as Berlin, New York and Buenos Aires, makes this link more transparent given the value put today on the 'creative classes'. But in fact, the immigrant informal economy is just as valuable in many of these cities to the new urban economy.

Similarly, government failure may well be involved, but governments had solved the issue of informal work by the mid-twentieth century. And for decades this was not an issue: Why now? Furthermore, if there is indeed a global infrastructure for running and servicing the global economy then it is also quite possible that the global cities of the south are undergoing a similar transformation, albeit with their own specificities. Conditions akin to those in global cities of the north may also be producing a new type of informal economy in global cities of the south, including a professional creative informal economy. Why assume these cities are not developing a new emergent informal economy that responds to the needs of their advanced economic sectors? These new informal economies need to be distinguished from the old ones that continue to operate in the global south and are still more a result of poverty and survival than of the needs of advanced economic sectors.

The same politico-economic restructuring that led to the new urban economy emerging in the late 1980s and onwards, also contributed to the formation of new informal economies. The decline of the manufacturing-dominated industrial complex that characterized most of the twentieth century and the rise of a new, service-dominated economic complex provide the general context within which we need to place informalization if we are to go beyond a mere description of instances of informal work.

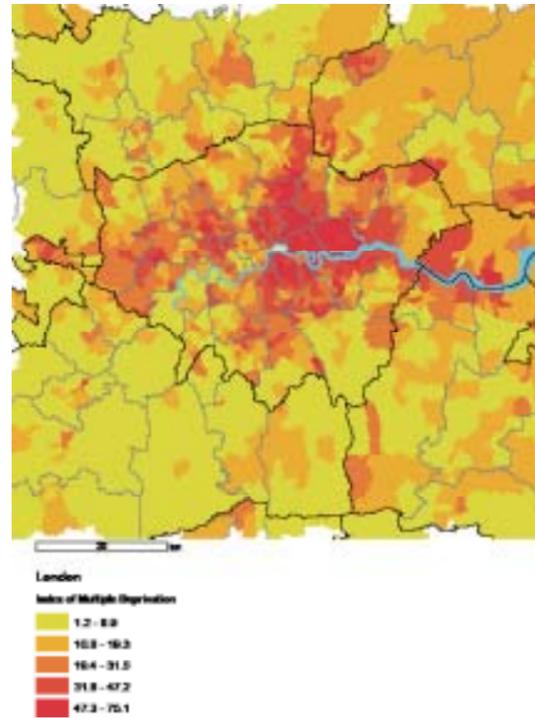
### Spatio-economic segmentations in the city

The ascendance of the specialized services-led economy, particularly the new finance and services complex and, to some extent, the cultural sector, brings with it the elements for a new urban economic regime, because although this sector may account for only a fraction of the economy of a city, it imposes itself on that larger economy. One of the new pressures is towards a type of spatio-economic polarization that goes well beyond the older forms of inequality that have always marked cities.



Critical here is the fact that the leading sectors can produce super-profits for firms and super-incomes for high level workers. The possibility for super-profits in the leading sectors contributes to devalue urban sectors that cannot generate super-profits, no matter how much the city needs their products and services. The growing demand for state-of-the-art office districts and for the spaces of luxury urban living displaces lower-profit firms and lower-income households. The more modest sectors of the middle class often leave the cities, as do firms that do not need to be in the city. Poor people easily become homeless, including significant numbers of women and children. Low-profit firms who need to be in the city struggle for survival, with many either closing down or informalizing part of their production (picture 10, 11).

High prices and profit levels in the globalized sector and its ancillary activities, such as top-of-the-line restaurants



and hotels, have made it increasingly difficult for other sectors to compete for space and investments. Many of these other sectors have experienced considerable downgrading and/or displacement, as, for example, neighbourhood shops tailored to local needs are replaced by upscale boutiques and restaurants catering to new high-income urban elites. The ascendance of expertise in economic organization in turn has contributed to a whole new valuing of specialized services and professional workers. And it has contributed to mark many of the 'other' types of economic activities and workers as unnecessary or irrelevant to an advanced economy.

In this mix of conditions lie some of the key sources for informalization of both low-wage and professional creative informal work. The rapid growth of industries with strong concentrations of high and low income jobs has assumed distinct forms in the consumption structure, which in turn

10. New York City, population below poverty line.  
SOURCE: U.S. CENSUS BUREAU, CENSUS 2000

11. London, index of Multiple Deprivation.  
SOURCE: OFFICE OF NATIONAL STATISTICS, UK, CENSUS 2001

has a feedback effect on the organization of work and the types of jobs being created.

The expansion of the high-income work force in conjunction with the emergence of new cultural forms has led to a process of high-income gentrification that rests, in the last analysis, on the availability of a vast supply of low-wage workers. High-income gentrification is labour-intensive, in contrast to the typical middle-class suburb that represents a capital-intensive process: tract-housing, road and highway construction, dependence on private automobile or commuter trains, marked reliance on appliances and household equipment of all sorts and large shopping malls with self-service operations. High-income gentrification replaces much of this capital intensity with workers directly and indirectly. Similarly, high-income residents in cities depend to a much larger extent on hired maintenance staff than the middle-class suburban home with its concentrated input of family labour and machinery.

Behind the specialty food-shops and boutiques that have replaced many large self-service supermarkets and department stores in cities lies a very different organization of work from that prevalent in large, standardized establishments. This difference in the organization of work is evident both in the retail and in the production phase. High-income gentrification generates a demand for goods and services that are frequently not mass-produced or sold through mass outlets. Customized production, small runs, specialty items, fine food dishes are generally produced through labour-intensive methods and sold through small, full-service outlets. Subcontracting part of this production to low-cost operations and also to sweatshops or households is common. The overall outcome for the job supply and the range of firms involved in this production and delivery is rather different from that characterizing the large department stores and supermarkets where standardized production prevails. Mass production and mass distribution outlets facilitate unionising; specialty food shops and designer furniture do not.

Yet another condition driving informalization in this process of high-income gentrification is the rapid increases in the volume of building renovations, alterations and small scale new construction associated with the transformation of many areas of the city from low-income, often dilapidated neighbourhoods into higher-income commercial and residential areas. What in suburban or peripheral areas

in cities might involve a massive programme of new construction, can easily be mostly rehabilitation of old structures in central urban areas that are likely to offer the highest returns on older renovated buildings. The volume of work, its small scale, its labour intensity and high skill content, the pressures of time and the short-term nature of each project all are conducive to a heavy incidence of informal work.

The expansion in the low-income population has also contributed to the proliferation of small operations and the move away from large-scale standardized factories and large chain stores for low-price goods. In good part, the consumption needs of the low-income population are met by manufacturing and retail establishments that are small, rely on family labour and often fall below minimum safety and health standards. Cheap, locally produced sweatshop garments, for example, can compete with low-cost imports. A growing range of products and services, from low-cost furniture made in basements to 'gypsy cabs' and family day-care, is available to meet the demand of the growing low-income population. The inadequate provision of services and goods by the formal sector also contributes to informal ways of securing these. This inadequacy may consist of excessively high prices, inaccessible or difficult-to-reach locations of formal providers, or actual lack of provision. It would seem that this inadequacy of formal provision involves mostly low-income individuals or areas.

The existence of a cluster of informal shops can eventually generate agglomeration economies that induce additional entrepreneurs to move in. This is illustrated by the emergence in just about all global cities of auto-repair districts, vendors' districts or clusters of both regulated and informal factories in areas not zoned for manufacturing; these areas are emerging as among the few viable locations for such activity given the increased demand for space by high bidders. The far more regulated cities in much of Europe and in Japan have kept these developments to a minimum compared with the USA and the rest of the world. Once a city has a diverse set of informal firms that use a variety of labour supplies, the entry costs for new entrepreneurs are lower and hence they can function as a factor inducing the further expansion of the informal economy.

In any large city, there also tends to be a proliferation of small, low-cost service operations made possible by the

massive concentration of people in such cities and the daily inflow of commuters and of tourists. This will tend to create intense inducements to open up such operations as well as intense competition and very marginal returns. Under such conditions the cost of labour is crucial and contributes to the likelihood of a high concentration of low-wage jobs. This tendency is confirmed by a variety of data sets that show that each one percent increase in, for instance, retail jobs results in an 0.8 per cent increase in below-poverty-level jobs in large metropolitan areas of the global north.

Against this larger background we can now ask, what then is the place in an advanced urban economy of firms and sectors that appear to be backwards or lack the advanced technologies and human capital base of the leading industries? Are they superfluous? And what about the types of workers employed by such firms? The available evidence shows several sources for the expansion of informal activities.

**Informality: a mode of incorporation in dualized cities**

The demand for informally produced or distributed goods and services in today's global cities has several sources and characteristics. It can originate in the formal economy either from final consumers or firms. Most of the informal work in the garment, furniture, construction, packaging and electronics industries is of this type. A second source is the demand from within the communities where many, though by no means all of the informal activities take place. Immigrant communities are a leading example and probably account for much of this second type of demand. A very different type of informal economy arises out of the concentration of artists and professionals, perhaps especially urban and new-media linked professionals in the types of cities we are focusing on in the Biennale.

There are differences in the types of jobs found in the informal economy. Many of the jobs are unskilled, with no training opportunities, involving repetitive tasks. Another type of job demands skills acquisition. The growth of informalization in the construction and furniture industries can be seen as having brought about a re-skilling of the labour force, rather than the more standardized, often pre-built housing of suburban areas. Some jobs pay extremely low-wages, others pay average wages and still others pay rather well, especially in the professional creative informal economy. Across this range there seems to be a saving involved for the employers and contractors compared with what would have to be paid in the formal market.

Finally, we can identify different types of locations in the spatial organization of the informal economy. Immigrant communities are a key location for informal activities meeting both internal and external demand for goods and services. Gentrifying areas are a second important location; these areas contain a large array of informal activities in renovation, alteration and small-scale new construction. This is also the space for much of the informal creative economy. A third location can be characterized as informal manufacturing and industrial service areas serving a city-wide market.

The specific set of mediating processes ultimately promoting the new informal economies are a) increased earnings inequality and the associated restructuring of consumption in high income groups and in very low income groups; b) increased inequality in the profit-making capacities of different types of firms; and c) the inability among many of the providers of the goods and services demanded by high-income households and by high profit-making firms to continue operating in global cities where leading sectors have sharply bid up the prices of commercial space, labour, auxiliary services and other basic business costs. Informalizing part or all of these operations has turned out to be one of the ways in which they can continue to function in these cities and meet the real and often expanded demand for their goods and services. It is then the combination of growing inequalities in earnings and in the profit-making capabilities of different sectors in the urban economy that has promoted the informalization of a growing array of economic activities. These are integral conditions in the current phase of advanced capitalism as it materializes in major cities dominated by the new advanced services complex typically geared to world markets and characterized by extremely high profit-making capabilities. These are not conditions imported from less-developed countries via immigration.

Further, the new emerging creative informal economy is also caught up in these spatio-economic inequalities even as its contents and projects are radically different from those of the manufacturing and service oriented informal economies. Berlin, with its large concentration of artists, designers, new media activists and of newly emptied and unclaimed spaces, probably offers the most dramatic example of the mix of dynamics at work here.

On a more abstract level, three features stand out about informality in today's major cities. One is that informalizing production and distribution activities is a



12. Informal vendors of services, in the historic centre of Mexico City. PHOTO BY PHILIPP RODE.

12



13. An informal street market in East London. PHOTO BY PHILIPP RODE.

13

mode of incorporation into the advanced urban economy. Second, informalising creative work is one of the most entrepreneurial aspects of the urban economy; today's example of the much-praised economic creativity that cities make possible. Third, informalization is the low-cost equivalent of what at the top of the system we have called deregulation; but while the deregulation of finance, telecommunications and other major sectors was expensive and highly formalized, in today's informal economies the cost is absorbed by the actors themselves.

In sum, the new urban core incorporates a far larger mix of firms, workers and economic spaces than is usually recognized. Parts of the immigrant communities in the cities of the global north and parts of the shanty towns in those of the global south are also part of the new advanced urban economy. But experiencing them as such is far more difficult. The corporate complex exudes techne, precision, power and is therewith easily experienced as part of the advanced urban economy. Yet it is not alone in marking the specificity of today's global cities.

#### Challenges and potentials

I would like to conclude this essay with four observations that are charged with challenges and with potentials. It is, after all, this quality of being charged and slightly unruly that marks the urban condition.

A first observation concerns a critical feature of the urban condition, both in the past and today: vast scales juxtaposed with interstitial spaces. The cities we focus on and their emerging inter-city geographies are spaces of massive structures, massive markets and massive capabilities. We might wonder what options such urban spaces offer urban designers, planners and architects to express their interests and ideas. The issue here is not so much the few exceptional or lucky designers who gain a global stage in their particular field. My concern is rather a more diffuse urban landscape of opportunities for 'making' in urban spaces dominated by massive structures and powerful actors. It is not design *per se* that concerns me here, but rather the larger political economy of design in cities that are part of these new global networked geographies. What is this landscape within which design today needs to function? There are, clearly, multiple ways of positing the challenges facing architecture and planning as practice and as theory. Admittedly, in emphasising the crucial place of cities for architecture, I construct a problem that is not only positioned, but also, perhaps inevitably, partial.

One consequence of the patterns described in the first half of this essay is the ascendance, partly objective and perhaps mostly subjective, of process and flow over fixity and place. Growing velocities render a growing range of urban experiences more of flows than of things, notwithstanding the vast amount of thingness around us. One of my concerns in researching globalization and digitization is to recover the fixity and the materiality underlying much of the global and the digital and obscured by prevailing notions that everything is becoming flow. The first half of this essay showed that the globalizing of activities and flows is in good part dependent on a vast network of places, mostly global cities. These sites contain many kinds of fixed (and mobile) resources. Things and materiality are critical for digitization and globalization; and places matter for global flows.

Even as massive projects proliferate, these cities contain many under-used spaces, often characterized more by memory than current meaning. These spaces are part of the interiority of a city, yet lie outside of its organizing utility-driven logics and spatial frames. They are *terrains vagues* that allow many residents to connect to the rapidly-transforming cities in which they live and subjectively to bypass the massive infrastructures that have come to dominate more and more spaces in their cities. Jumping at these *terrains vagues* in order to maximize real estate development would be a mistake from this perspective. Keeping some of this openness might make more sense in terms of factoring future options at a time when utility logics change so quickly and often violently, excess of high-rise office buildings being one of the great examples.

This opens up a salient dilemma about the current urban condition in ways that take it beyond the more transparent notions of high-tech architecture, virtual spaces, simulacra, theme parks. All of the latter matter, but they are fragments of an incomplete puzzle. There is a type of urban condition that dwells between the reality of massive structures and the reality of semi-abandoned places. I think it is central to the experience of the urban and it makes legible transitions and unsettlements of specific spatio-temporal configurations.

The work of capturing this elusive quality that cities produce and make legible is not easily executed. Utility logics won't do. I can't help but think that artists are part of the answer; whether ephemeral public performances

and installations or more lasting types of public sculpture, whether site-specific/community-based art, or nomadic sculptures that circulate among localities.

And so are architectural practices located in unforthcoming spaces. There is a diversity of such spaces. One instance is that of intersections of multiple transport and communication networks, where the naked eye or the engineer's understanding sees no shape, no possibility of a form, just pure infrastructure and its necessary uses. Another instance is a space that requires the work of detecting possible architectures where there now is merely a formal silence, a non-existence, such as a modest *terrain vague*, not a grand one that becomes magnificent through the scale of its decay, such as an old unused industrial harbour. In addition to the other forms of work they represent, architecture and urban design can also function as critical artistic practices that allow us to capture something about this elusive urban quality; going far beyond what is represented by notions such as the theme-parking of the urban.

The making and siting of public space is one lens into these types of questions. We are living through a kind of crisis in public space resulting from its growing commercialization, theme-parking and privatization. The grand monumentalized public spaces of the state and the crown, especially in former imperial capitals, dominate our experience of public space. Users do render them public through their practices. But what about the actual making of public space in these complex cities, both through architectural interventions and through users' practices? Public-access space is an enormous resource and we need more of it. But let us not confuse public-access space with public space. The latter requires making, through the practices and the subjectivities of people. Through their practices, users of the space wind up making various types of 'publicness'.

A second observation concerns the political character of these cities. The other side of the large complex city, especially if global, is that it is a sort of new frontier zone where an enormous mix of people converges. Those who lack power, those who are disadvantaged, outsiders or discriminated minorities, can gain presence in such cities, presence *vis-à-vis* power and presence *vis-à-vis* each other. This signals, for me, the possibility of a new type of politics centred in new types of political actors. It is not simply a

matter of having or not having power. There are new hybrid bases from which to act.

The space of the city is a far more concrete space for politics than that of the nation. It becomes a place where non-formal political actors can be part of the political scene in a way that is much more difficult at the national level. National politics needs to run through existing formal systems, whether the electoral political system or the judiciary. Non-formal political actors are rendered invisible in the space of national politics. Cities, in contrast, can accommodate a broad range of political activities; squatting, demonstrations against police brutality, fighting for the rights of immigrants and the homeless, the politics of culture and identity, gay and lesbian politics. Much of this becomes visible on the street. Much of urban politics is concrete, enacted by people rather than dependent on massive media technologies.

The large city of today, especially the global city, emerges as a strategic site for these new types of operations. It is a strategic site for global corporate capital. But it is also one of the sites where the formation of new claims by informal political actors materializes and assumes concrete forms.

A third observation concerns the relationship of these cities to the typical urban topographic representations we continue to use. The types of developments examined in this essay can only partly be captured through traditional topographic representations of cities. This is not a new problem, but it has become more acute under current conditions. Thus while a topographic description can make visible the global moment as it materializes in urban space, such a description obscures the underlying connections between that globalized space and the informal economies examined earlier. The immigrant communities and growing sectors of shanty towns, which are one of the sites for the new informal economies linked to the advanced globalized economy, would typically be represented as marginal to it all. Secondly, topographic descriptions do not capture the multiplication of inter-city geographies that connect specific spaces of cities, such as the networks of financial centres, or the networks of hundreds of affiliates of global firms, or the specialized infrastructures that connect a few thousand buildings worldwide. Nor can such descriptions capture the informal city as a site for transnational immigrant households and enterprises and for new types of networks of artists and new media enterprises.

More and more urban spaces are today partly embedded in global and digital systems. The emblematic case is perhaps the financial centre that is far more articulated with the global financial markets than with the economy of the city or country in which it is located. On a very different scale, but going in the same direction, it will not be long before many urban residents begin to experience the 'local' as a type of microenvironment with global span. This will include poor and even marginal actors. The outcome for urban space is that at least some of what we keep representing and experiencing as something local; a building, an urban place, a household, an activist organization in our neighbourhood is located not only in the concrete places where we can see it, but also on digital networks that span the globe. A growing number of entities located in global cities are becoming connected with other such entities in cities near and far.

What does it mean for a city to contain a proliferation of these globally-oriented yet very localized offices, households and organizations? And what is the meaning of context under these conditions? The financial centre in a global city, or the human rights activist's home are not oriented towards what surrounds them, but to a global process. In its most extreme version, the city becomes an amalgamation of multiple fragments located on diverse trans-urban circuits. As cities and urban regions are increasingly traversed by non-local, including global circuits, much of what we experience as the local because locally-sited is not necessarily local in the traditional sense of the term.

This produces a specific set of interactions in a city's relation to its urban topography. The new urban spatiality thus produced is partial in a double sense. It accounts for only part of what happens in cities and what cities are about. And it inhabits only part of what we might think of as the space of the city, whether this be understood as a city's administrative boundaries or in the sense of the multiple public imaginaries that may be present in different sectors of a city's people. If we consider urban space as productive, as enabling new configurations, then these developments signal multiple possibilities.

This brings me to the fourth and final observation. Could it be that precisely what urban topography misses is a source of a new type of inter-city potential? At a time when growing numbers of people, economic opportunities, social problems and political options concentrate in cities, we need to explore how urban governments can work internationally to further global governance.

Let me make the case that cities – more precisely, international networks of cities – can contribute to the work of global governance for at least two reasons. One of these is the fact that cities concentrate a growing share of just about all key components of our social and political architectures, including key organizational components of the global economy. A second reason is that most key global dynamics run through cities, in some cases merely momentarily and in others in more durable ways. Global corporations still need the massive concentrations of state-of-the-art specialized resources only cities can bring together; and, as we now know, organized global terrorist networks also need various resources that cities offer, including anonymity. Further, these dynamics tend to come together in cities in a way they do not in other types of places. This makes cities enormously concrete sites and in turn, makes many of these global processes concrete and more legible. These conditions can help in the work of global governance.

But there is a broader landscape within which to understand this urban potential for contributing to global governance. Cities have historically been the places for many of our best political innovations, among them civic ideals and citizenship. We are living through a time of transitions that calls for political innovation, for developing the domain of politics and citizenship. The formal political system is less and less able to address some of the key issues we face, including the power and globality of major economic actors discussed in this essay. Many of these challenges play out in cities, at least for part of their trajectories. Urban residents and leaderships should be part of the effort to address the governance challenges we face in this new global context. Much of what we think of and call 'global' actually materializes in cities and in the inter-city geographies produced by economic, cultural and political globalization. The multiple specialized circuits that constitute these inter-city geographies are *de facto* venues for inter-city politics. It is not a question of a 'United Nations of cities'. It is, rather, bringing the global down to its concrete urban moment and recognizing the extent to which one city's specific challenges might recur in a few or many other cities. These cover an increasingly broad range of economic, cultural and political issues and even types of armed violence we thought only took place in formal battlefields. The residents and leaders of cities are used to addressing concrete conditions. The recurrence of particular global conditions in a few or many cities provides a built-in platform for cross-border governing of such global conditions. Most of what cities need to address will remain domestic. But a growing number of

global conditions are hitting the ground in cities. It is these that inter-city governance efforts can help address. It does not mean replacing national and supranational governance. It means capturing the specific urban conditions increasingly at play in major dynamics of our time.

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#### INTERNET

- AT&T Global Network  
<http://www.att.com/globalnetworking/>  
 GaWC Global cities database  
<http://www.lboro.ac.uk/gawc/>  
 Kermes Urbana, Terrains Vagues in Buenos Aires  
[www.m7red.com.ar/m7-KUintro1.htm](http://www.m7red.com.ar/m7-KUintro1.htm)  
 World Urban Forum  
<http://www.unhabitat.org/wuf/2004/>  
 see also  
[www.dotberlin.de/english/vision.htm](http://www.dotberlin.de/english/vision.htm)  
[www.cirleid.com/posts/city\\_identifiers\\_net\\_tld/](http://www.cirleid.com/posts/city_identifiers_net_tld/)