

# The enormous variety of global circuits connecting cities

- Some of these global circuits are specialised and some are not.
- Some are worldwide, others are regional.
- Different circuits contain different groups of countries and cities.
- For instance, Mumbai is today on a global circuit for commercial real-estate development and investment that includes firms from cities as diverse as London and Bogotá.
- Global commodity trading in coffee includes New York and São Paulo as major hubs. Global commodity trading in sunflower seeds includes Buenos Aires, Chicago and Mumbai. Gold includes Sao Paulo, Johannesburg, Sydney, Dubai, Mumbai, New York London, Zurich.

# BRIC's Global Cities

(major and minor)

- Hong Kong Shanghai Beijing Shenzhen  
Chongqing Chengdu
  - Sao Paulo Rio de Janeiro
  - Moscow St. Petersburg
  - Mumbai New Delhi Bangalore
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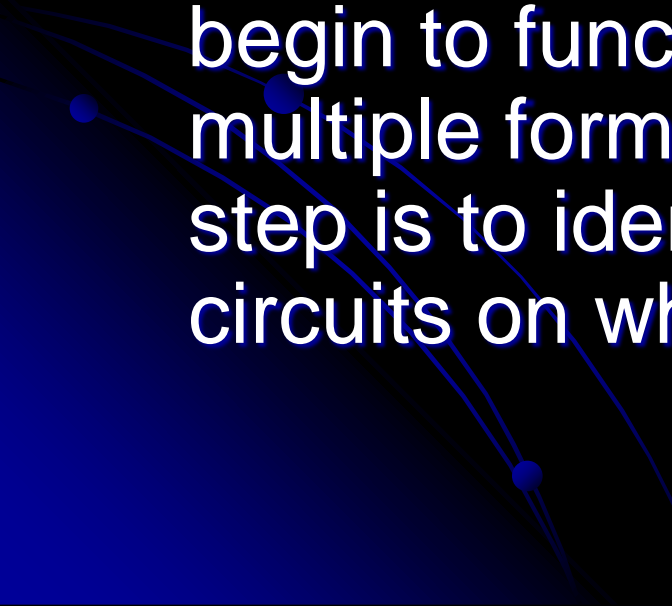
# This variability adds to the flexibility of urban economies

- It is critical for a large city to use its scale for diversifying its economy—otherwise it is a plantation economy, such as Detroit, even though it produces a high-tech “coffee-bean.”
- Thus the current collapse of major financial institutions involves particular sets of global circuits and hence does not affect all global cities in the same way. But the tightening of the credit system affects far more global cities given the financializing of more and more sectors


Culture, Politics, Migration, etc.  
also feed the proliferation of circuits

- For example, NGOs fighting for rainforests function in circuits that include Brazil and Indonesia, the global media centres of New York and London, and the major forestry companies and the headquarters of sellers (Oslo, London and Tokyo).
- The other side of all these trends is an increasing *urbanising* of global networks.

# A given city may be located on dozens of global circuits

- Looking at it from the perspective of a given city makes clear the diversity and specificity of its location on some, or many, of these circuits.
  - These emergent inter-city geographies begin to function as an infrastructure for multiple forms of globalisation. The first step is to identify the specific global circuits on which a city is located.
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# Each circuit has specific cities

- The groupings of cities vary on each circuit.
  - All of this also shows us that the specialised differences of cities matter, and that there is less competition among cities and more of a global or regional division of functions than is commonly recognised
- 

# Specialized differences of cities

- The knowledge economies of São Paulo, Chicago and Shanghai all share a long history of servicing major heavy manufacturing sectors. Their economic histories are different from New York, London, or Rio de Janeiro.
- Out of these specialised differences comes a global division of functions. Thus a steel factory, a mining firm, or a machine manufacturer that wants to go global will go to São Paulo, Shanghai or Chicago for its legal, accounting, financial, insurance, economic forecasting, and other such specialised services. It will not go to New York, London or Rio for this highly particular servicing.

# Where does a city's knowledge economy come from?

- Recognising the value of the specialised differences of cities and urban regions in today's global economy shows how the economic history of a place matters for the type of knowledge economy that a city or a city-region ends up developing.
- This goes against the common view that globalisation homogenises economies. How *much* this economic history matters varies, and partly depends on the particulars of a city's or a region's economy. It matters more than is commonly assumed, and it matters in ways that are not generally recognised.

# Globalization: What exactly does it homogenize?

- Globalisation homogenises standards – for managing, for accounting, for manufacturing.
- It also homogenises standards for building state-of-the-art office districts and luxury hotels, state-of-the-art airports, and so on. The spread of these standards creates a sense of homogeneity, even though such standards do not exclude very original architecture.
- Such built environments are a kind of novel infrastructure: necessary but indeterminate

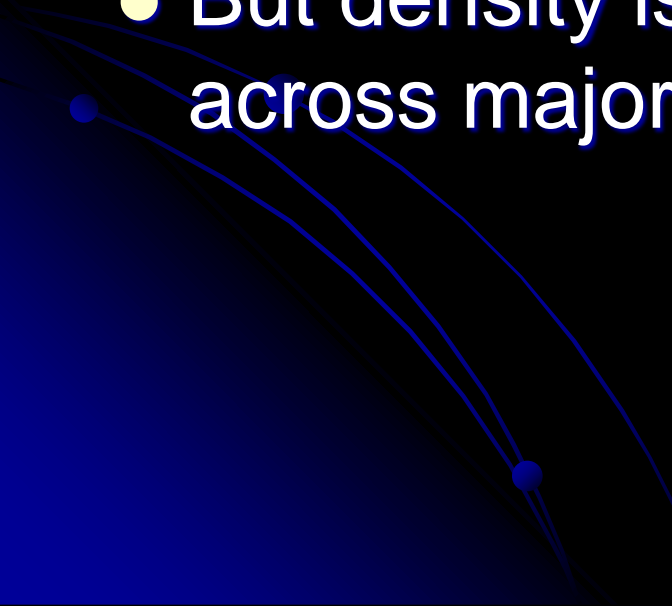
# But the global economy needs diverse specialized capacities

- The global economy needs those standardized built environments and it needs diverse specialised economic capabilities.
- Thus the indeterminacy of these built environments allows for sharp differences in the specialized economies that use them. State of the art office districts are very similar even when the types of business they handle can be radically different (if we take into account highly specialized differences)

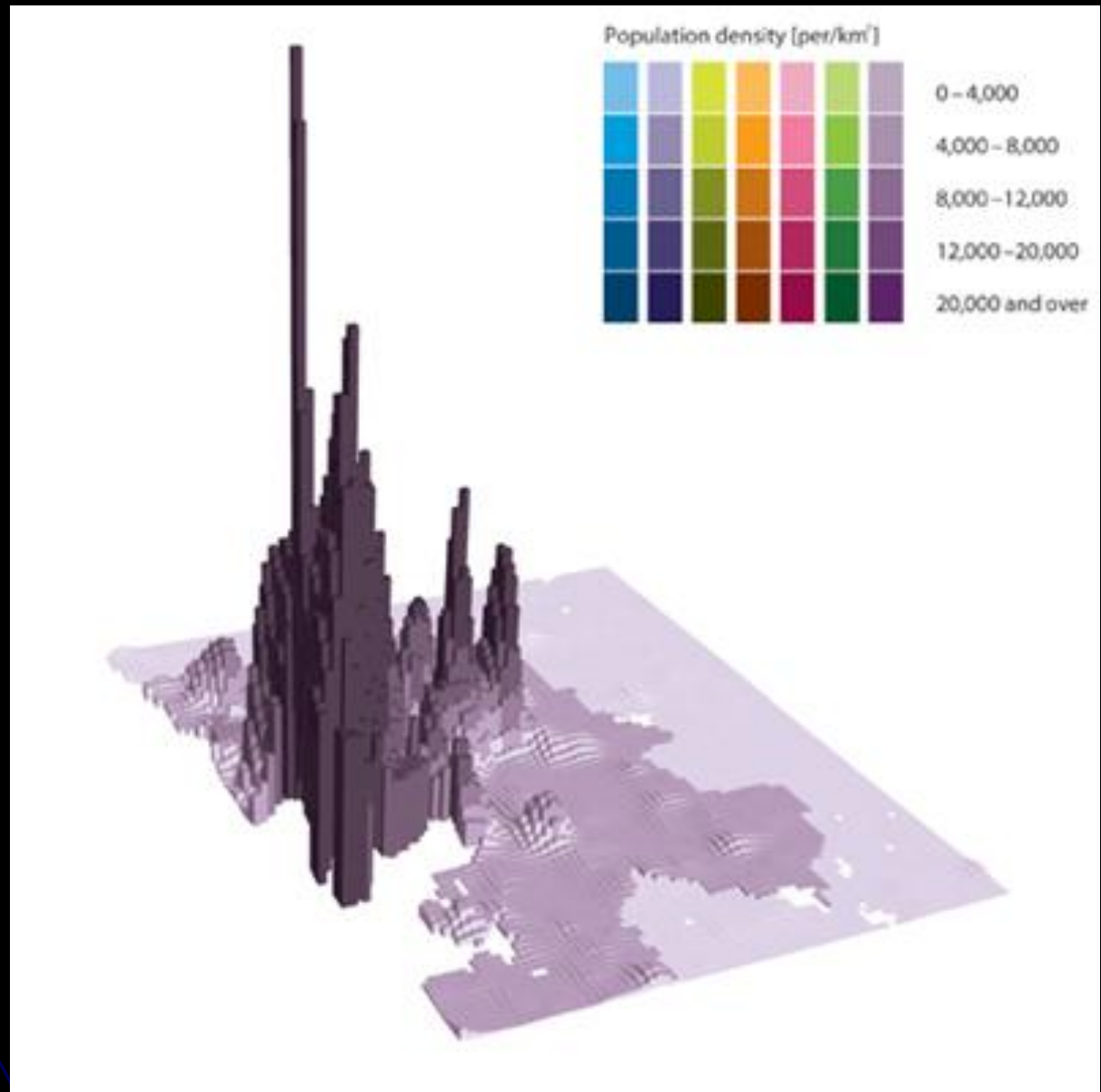
# These specialized differences feed the growing number of global cities

- Each of the 70 plus major and minor global cities in the world contributes to the production of these capabilities in its home country, and thereby functions as a bridge between its national 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 vast numbers of affiliates, subsidiaries or offshore sourcing sites they may have around the globe.

# One visual example

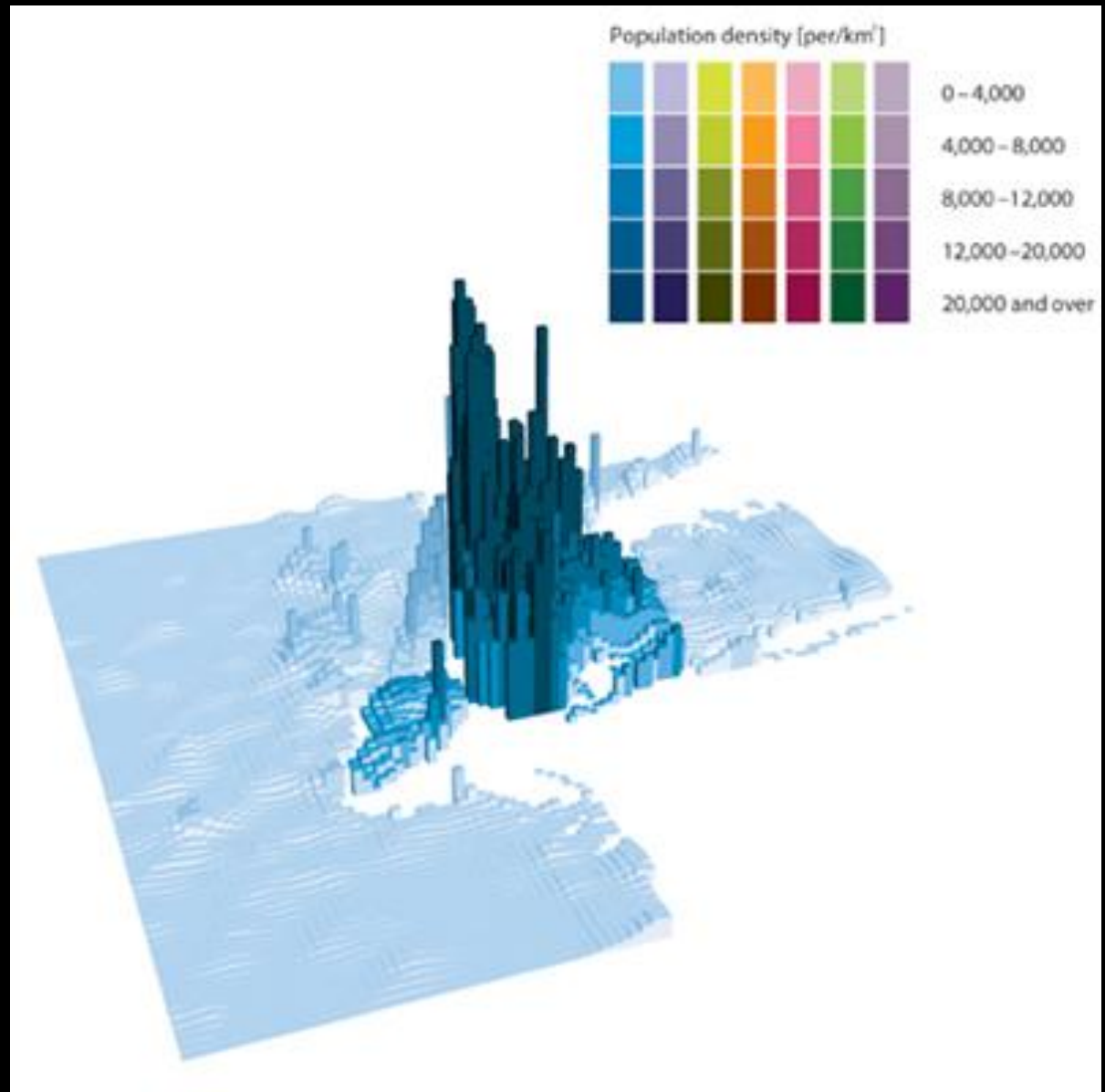
- Density remains critical to the state-of-the-art knowledge economy –the global city economic function is the most advanced and sharpest instance of this.
  - But density is constructed differently across major global cities.
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# Density - Mumbai



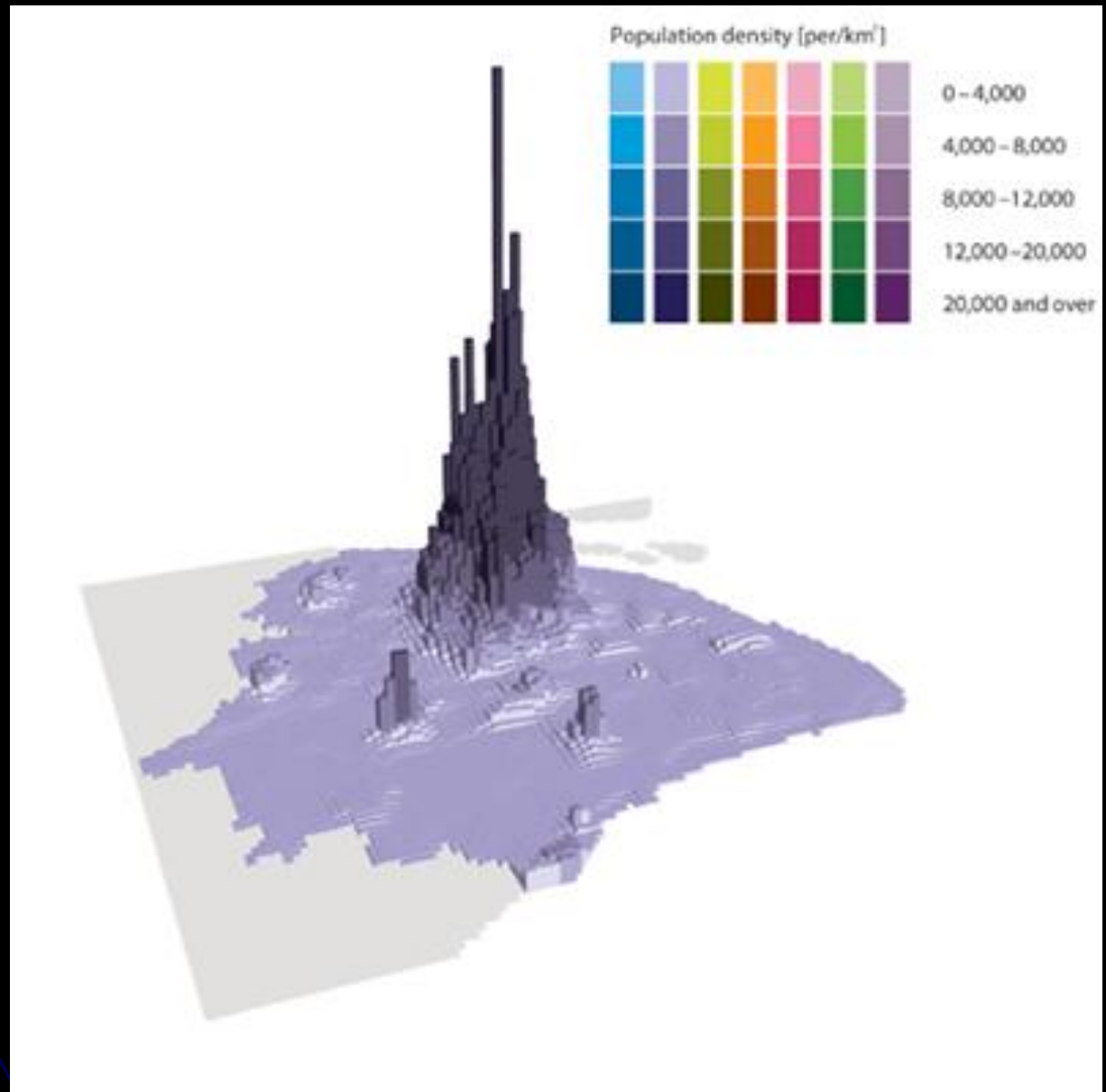
Taken from Urbanage.net

# Density - NYC



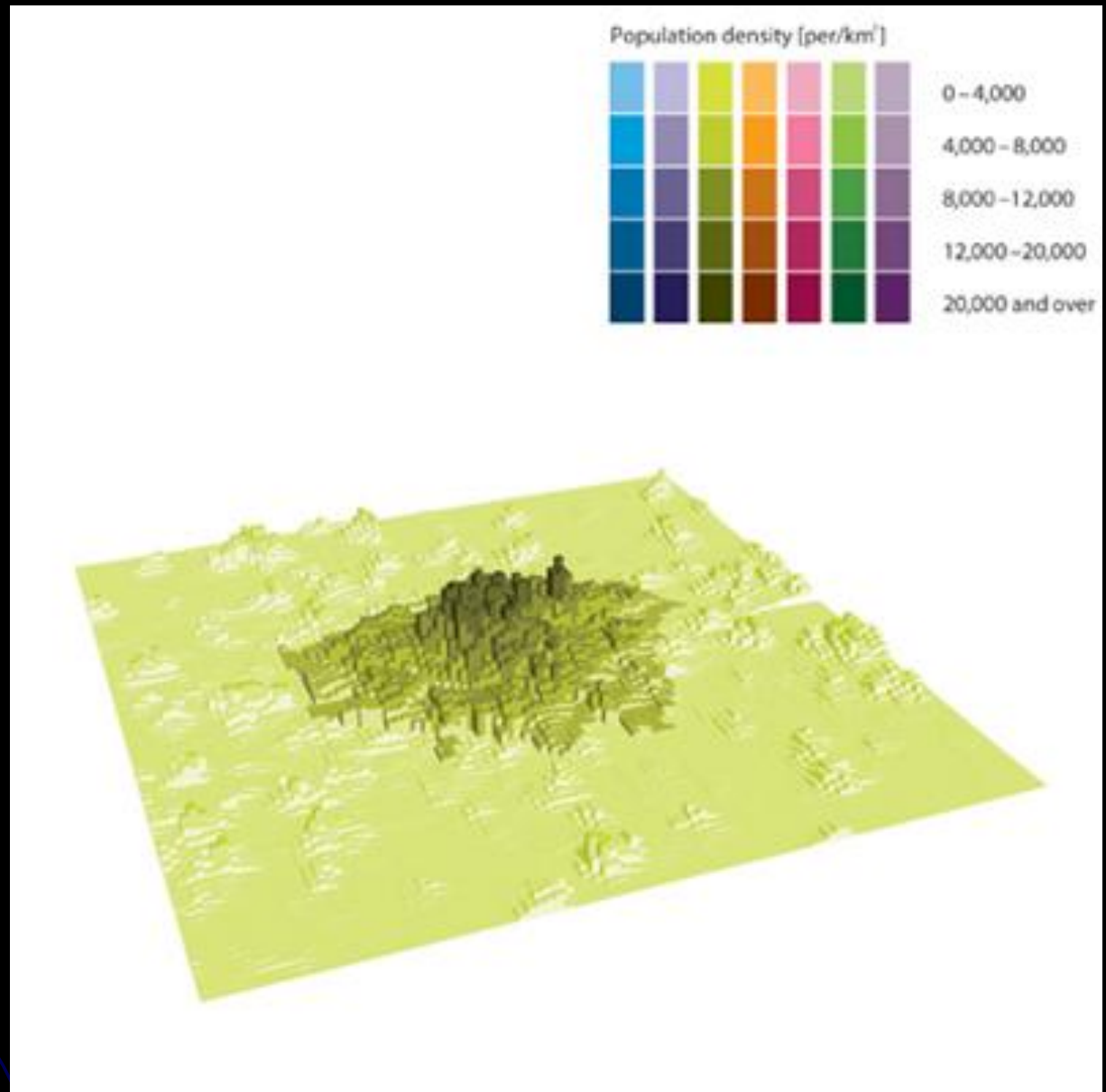
Taken from Urbanage.net

# Density - Shanghai



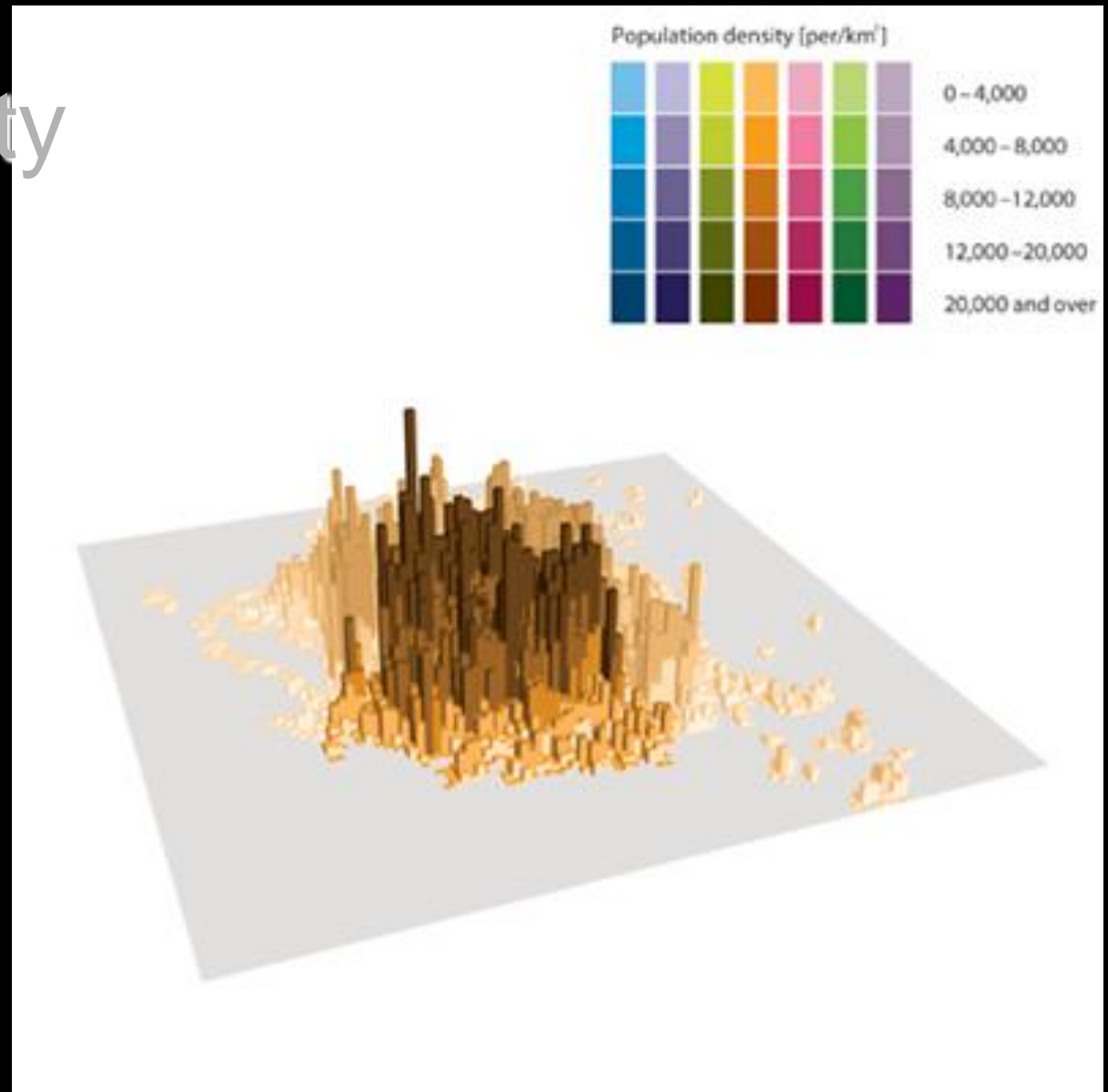
Taken from Urbanage.net

# Density - London



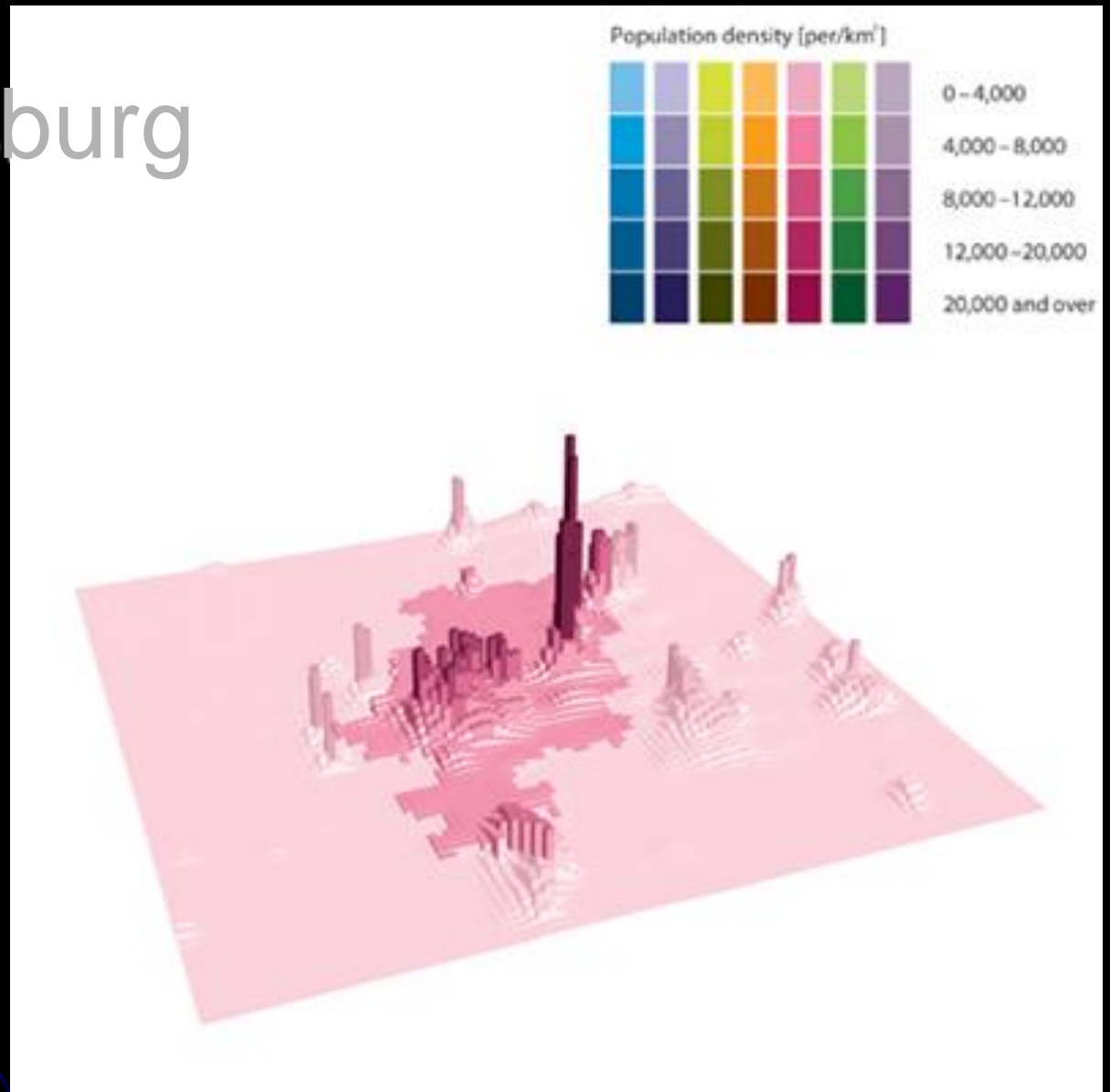
Taken from Urbanage.net

# Density - Mexico City



Taken from Urbanage.net

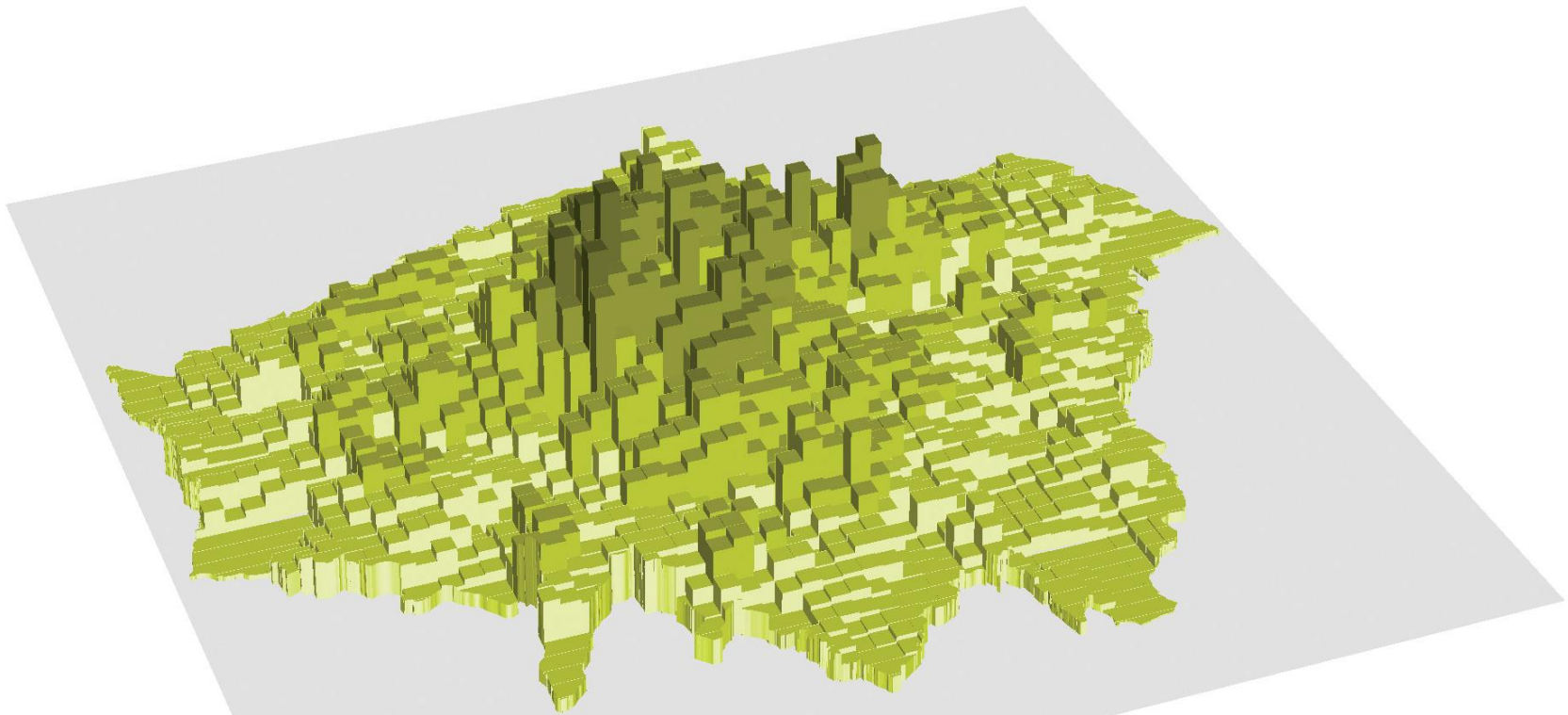
# Density - Johannesburg



Taken from Urbanage.net

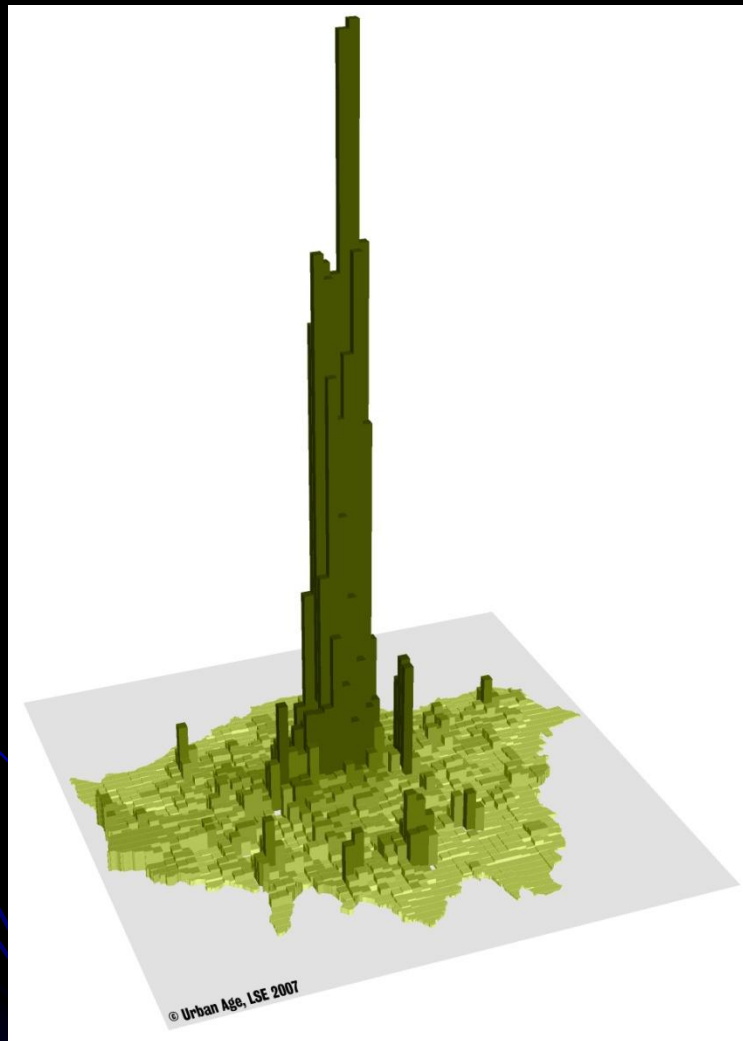


# London (Population)

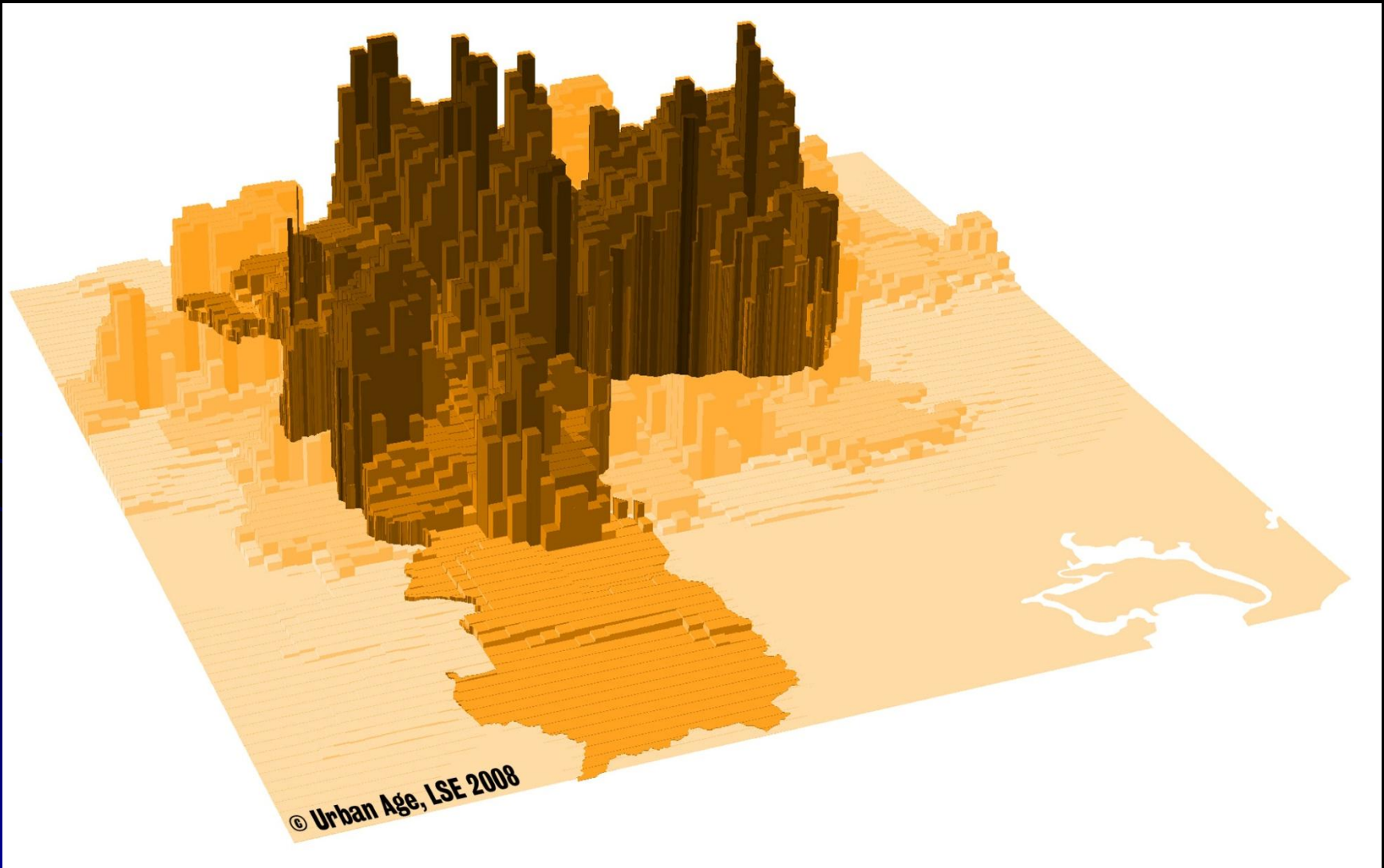


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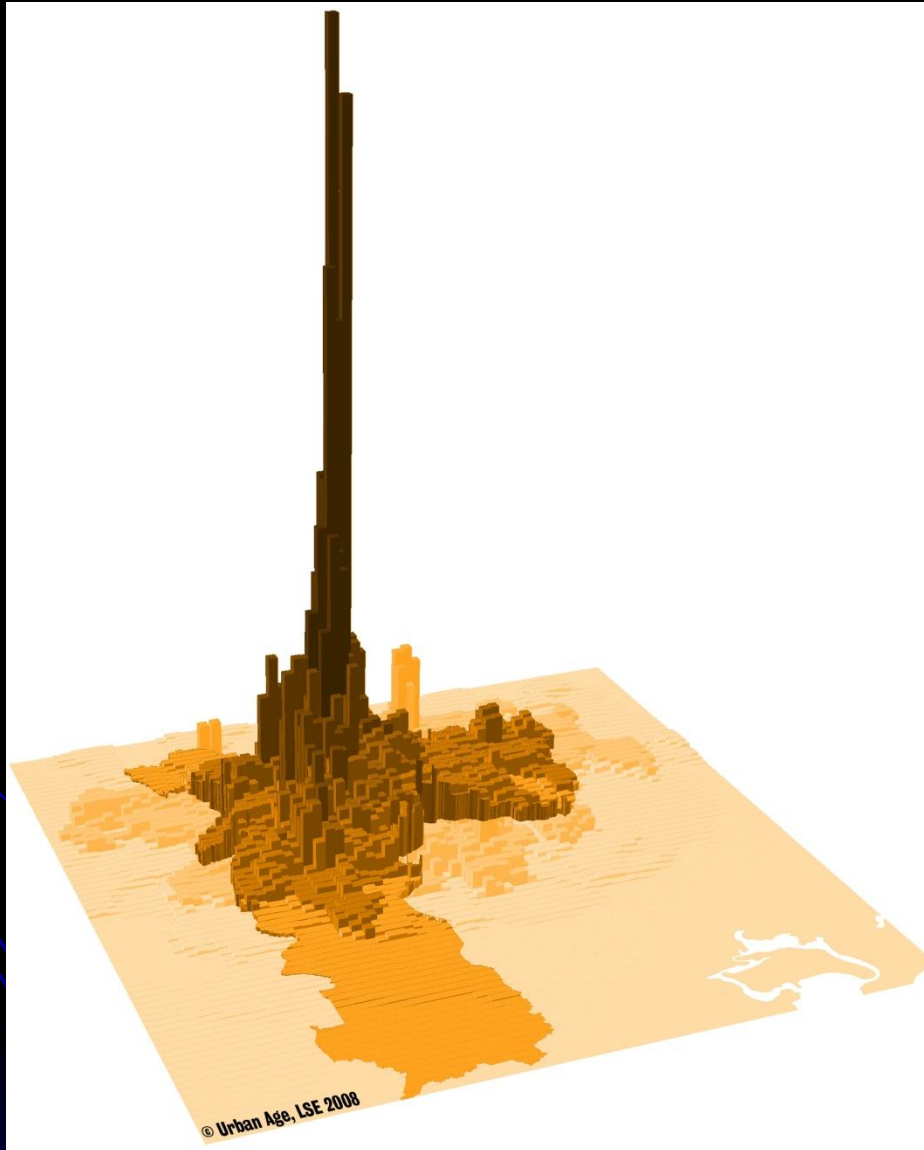
# London (Workplace)

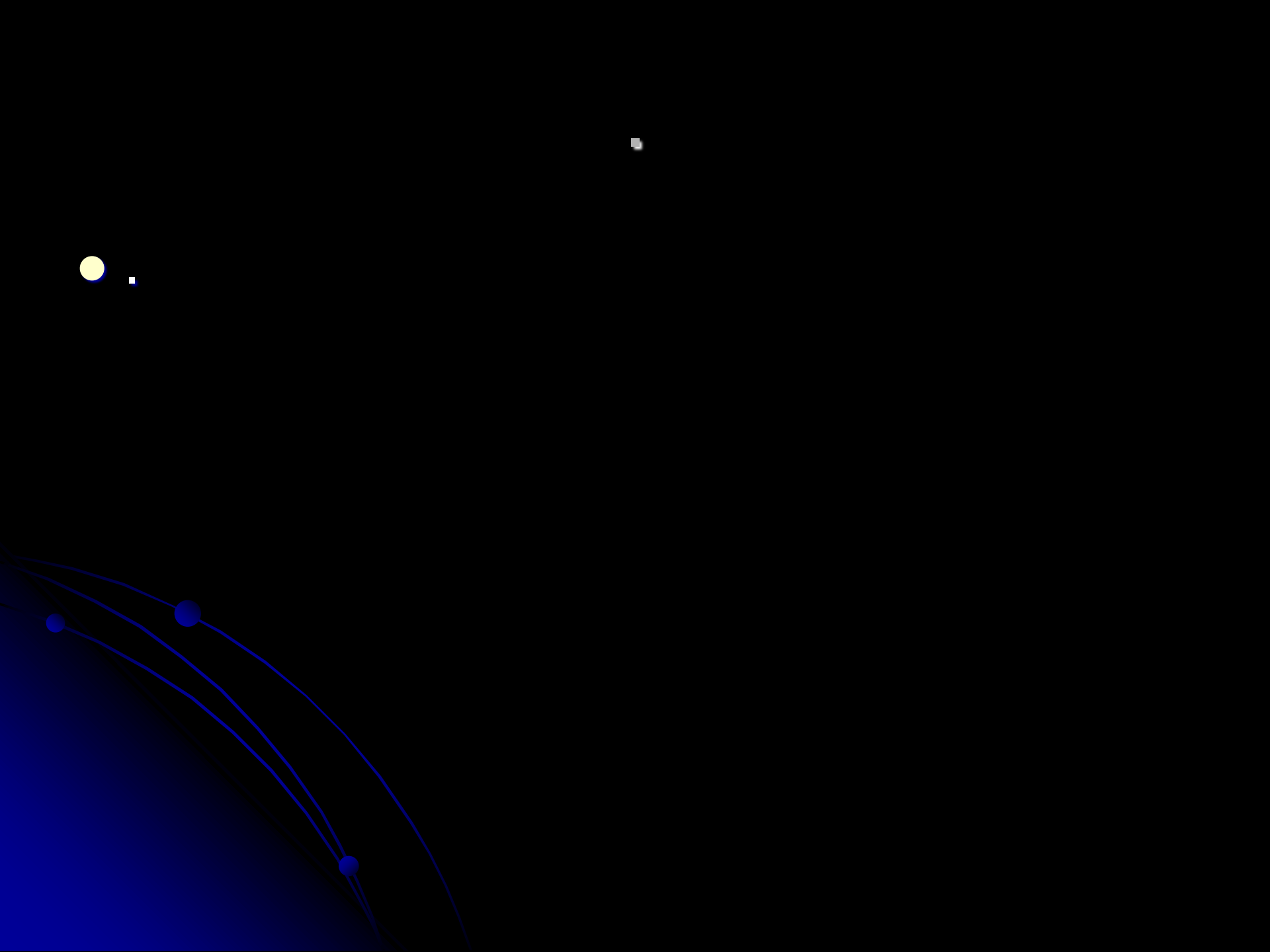


# Sao Paulo (Population)



# Sao Paulo (Workplace)





# There is no perfect global city

- When firms go global they tend to locate operations in multiple cities that function as entry points into national 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, again, that cities do not simply compete with each other.
- A global firm does not want one global city, even if it is the best in the world. Different groups of cities will be desirable to different types of firms, even if some of these cities may have some serious negatives. This helps explain why there is no one 'perfect' global city.
- Today's global phase does not function through one imperial global capital that has it all.

**Overall  
Ranking:  
WCOC Index,  
Top 20**

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

# None of the leading cities ranks at the top in everything.

- A large study of 75 cities rates the top cities for worldwide commerce. Not one of them ranks at the top in all of the 100 factors, and not one gets the perfect score of 100.
- 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.
- If we consider a critical variable in the ‘ease of doing business’ indicator, part of which is ‘ease of entry and exit’, London ranks 43rd and New York 56th. London ranks 37th on ‘contract enforcement’ and 21st on ‘investor protection’.
- It is Singapore that ranks number one in relation to all three variables.

# *Indicator 3: Ease of Doing Business*

## **Subindicators**

- Starting a Business
- Employing Workers
- Getting Credit
- Closing a Business
- Conventions/Exhibitions/Meetings
- ✧ Conventions/Exhibitions/Meetings
- ✧ Banking Services
- ✧ Ease of Entry and Exit
- ✧ Investor Protection
- ✧ Corporate Tax Burden
- ✧ Contract Enforcement

# Ease of Doing Business: Top 20

	City	Dimension 3 Score
	Singapore	82.82
	Hong Kong	80.37
3	London	79.42
	Toronto	76.24
	New York	75.91
6	Dublin	75.71
7	Edinburgh	75.29
	Vancouver	74.89
	Montreal	74.60
	Chicago	73.81
	San Francisco	73.68
	Sydney	72.39
	Los Angeles	72.34
	Boston	71.89
	Washington D.C.	71.78
16	Copenhagen	71.72
	Atlanta	71.69
	Miami	71.51
	Melbourne	71.34
	Dallas	71.32

- In the global South, cities like Mumbai and São Paulo are in the top group for financial and economic services, but are brought down in their overall score by their low rankings in factors related to the ease of doing business and livability, given their especially low levels of well-being for vast sectors of the population.

# *Indicator 4: Financial Dimension*

## **Subindicators**

- Financial Services Network:
    - Banking/Financial Services Companies
    - Insurance Companies
    - Investment/Securities Firms
  - Total Value of Equities Trading
  - Total Value of Bond Trading
  - Total Number of Derivatives Contracts
  - Total Number of Commodities Contracts
- 

**Financial  
Dimension:  
Top 20**

	<b>City</b>	<b>Dimension 4 Score</b>
1	London	84.70
	New York	67.85
3	Frankfurt	52.88
	Seoul	52.76
	Chicago	52.51
	Tokyo	48.95
	Mumbai	47.32
	Moscow	47.27
	Shanghai	46.54
10	Madrid	44.60
	Singapore	42.15
12	Paris	41.85
	Hong Kong	39.61
	Sydney	39.47
15	Milan	38.45
	Sao Paulo	34.92
17	Amsterdam	34.44
18	Copenhagen	33.24
	Taipei	33.04
20	Zurich	31.93

# ***Indicator 5: Business Center Dimension***

## **Subindicators**

- Traffic Through City Ports
  - Air Passenger and Aircraft Traffic Through City Airports
  - Air Cargo Traffic Through City Airports
  - International Air Passenger Traffic Through City Airports
  - Volume of Commercial Real Estate Development
- 

**Business  
Center  
Dimension:  
Top 20**

	<b>City</b>	<b>Dimension 5 Score</b>
	Hong Kong	72.25
<b>2</b>	<b>London</b>	<b>67.44</b>
	Singapore	62.58
	Shanghai	60.30
	Dubai	59.34
	Tokyo	58.15
<b>7</b>	<b>Paris</b>	<b>57.73</b>
	New York	54.60
<b>9</b>	<b>Amsterdam</b>	<b>48.00</b>
	Seoul	47.33
<b>11</b>	<b>Frankfurt</b>	<b>46.73</b>
	Los Angeles	44.47
	Bangkok	44.21
	Chicago	40.52
	Miami	39.23
	Taipei	37.78
<b>17</b>	<b>Madrid</b>	<b>37.71</b>
<b>18</b>	<b>Milan</b>	<b>36.46</b>
	Beijing	35.07
	Atlanta	33.69

# Knowledge Creation and Information Flows: Top 20

	City	Dimension 6 Score
1	London	62.35
	New York	59.02
	Tokyo	52.06
4	Paris	51.65
	Seoul	51.31
6	Zurich	47.84
	Chicago	46.31
8	Geneva	45.28
9	Stockholm	44.15
	Los Angeles	43.08
	Osaka	40.87
	Boston	40.58
13	Copenhagen	39.57
	Singapore	39.45
15	Berlin	39.41
16	Amsterdam	39.11
	Atlanta	38.21
	Philadelphia	37.80
	Washington D.C.	37.46
	Taipei	37.00

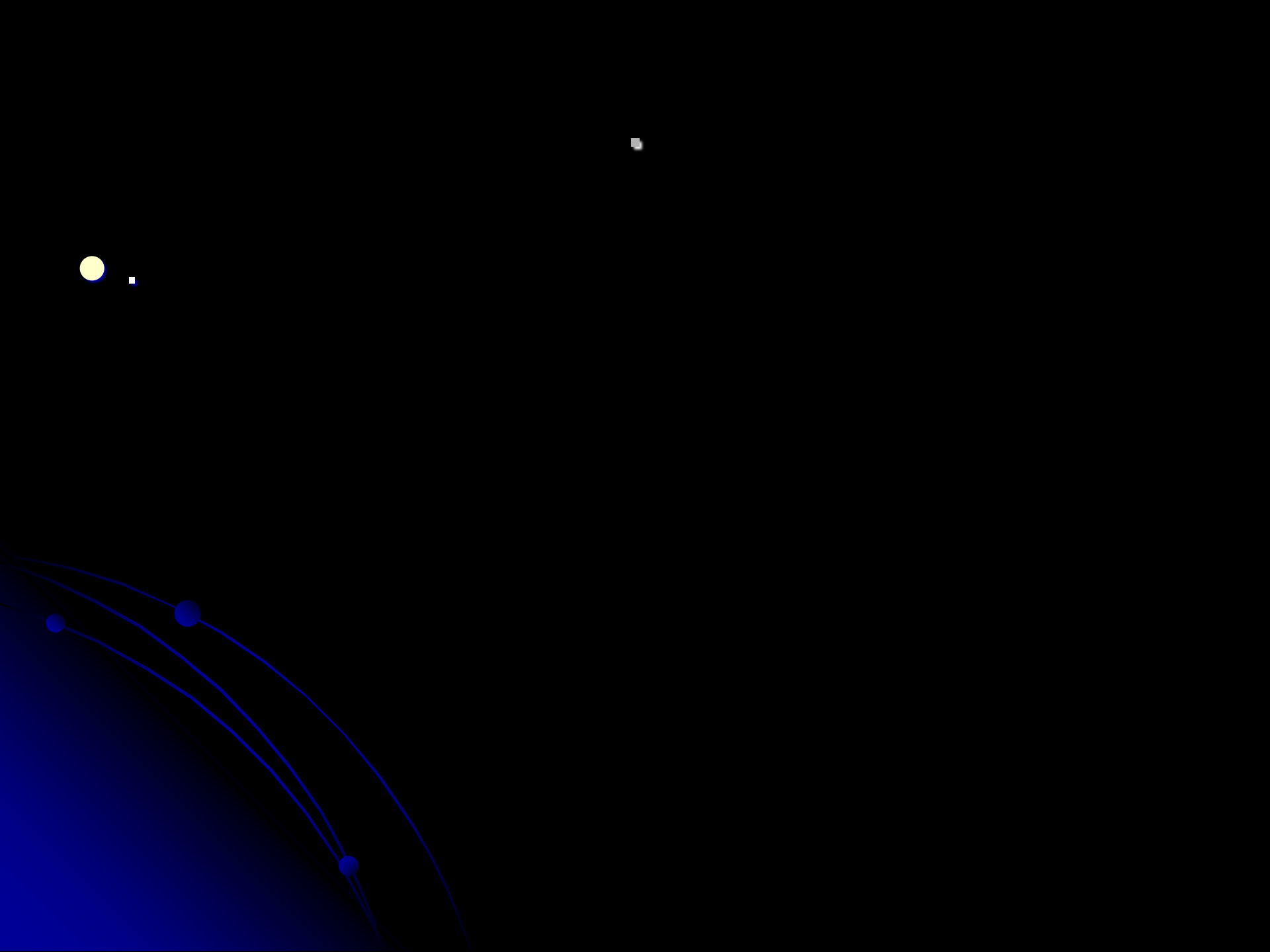
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- Whether all of this is good or bad for the larger social fabric of these cities and their countries is a complex matter, and the subject of many debates.
- The fact that global firms need cities, and groups of cities, should enable the political, corporate and civic leadership in those cities to negotiate for more benefits for their cities from global firms.

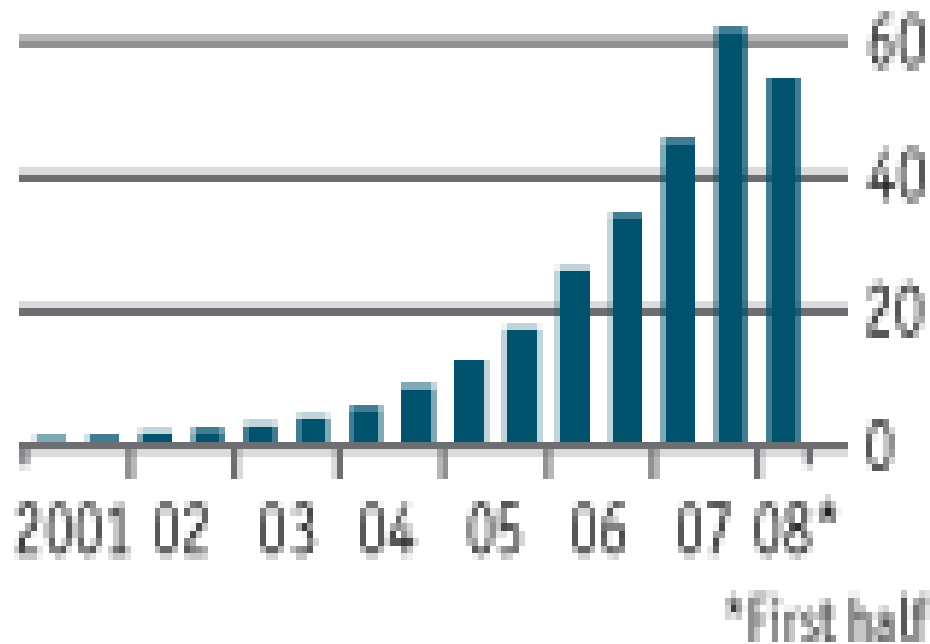
- This could lead to overall positive outcomes if the governing classes can see that these global economic functions will grow better in a context of a strong and prosperous middle class rather than the sharp inequality and polarity that exists among a growing share of households.
- European global cities have done better than global cities in the United States precisely for this reason.

- **The trends in the new rising global cities of the South resemble trends of the North: growing numbers of very rich and of very poor, and the impoverishment of the old middle classes.**
- **What there will be less of in these cities is the modest middle classes and the modest-profit making economic sectors that once were the major presence in these cities.**
- **Having a large middle sector is important for the urban economy because their earnings and profits are most likely to be fully spent in the city's economy.**
- **Their presence is a built-in resistance to the spatial and social reshaping of cities along extreme class lines.**



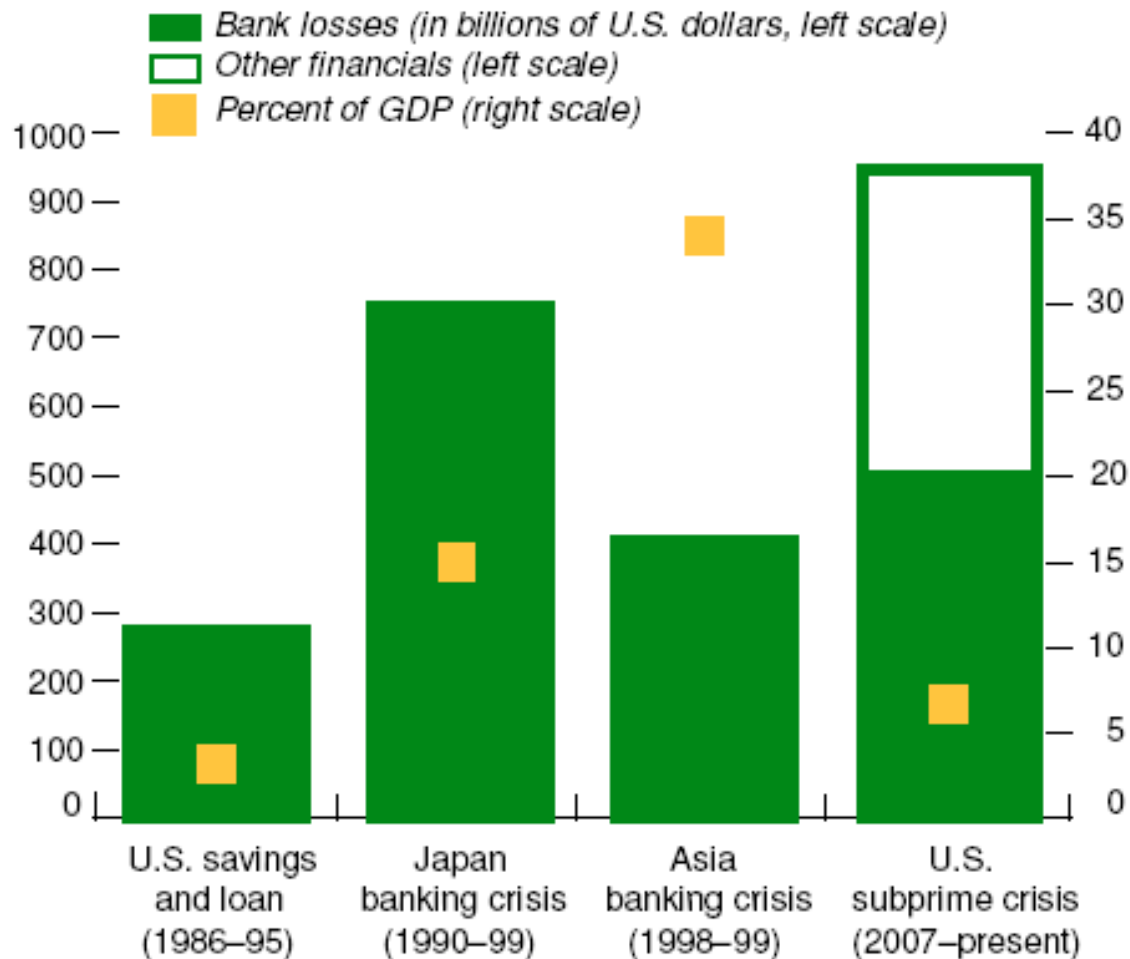
# Credit-default swaps

Notional amounts outstanding, \$trn



Source: "Giving Credit Where Credit is Due." The Economist, Nov 6 2008

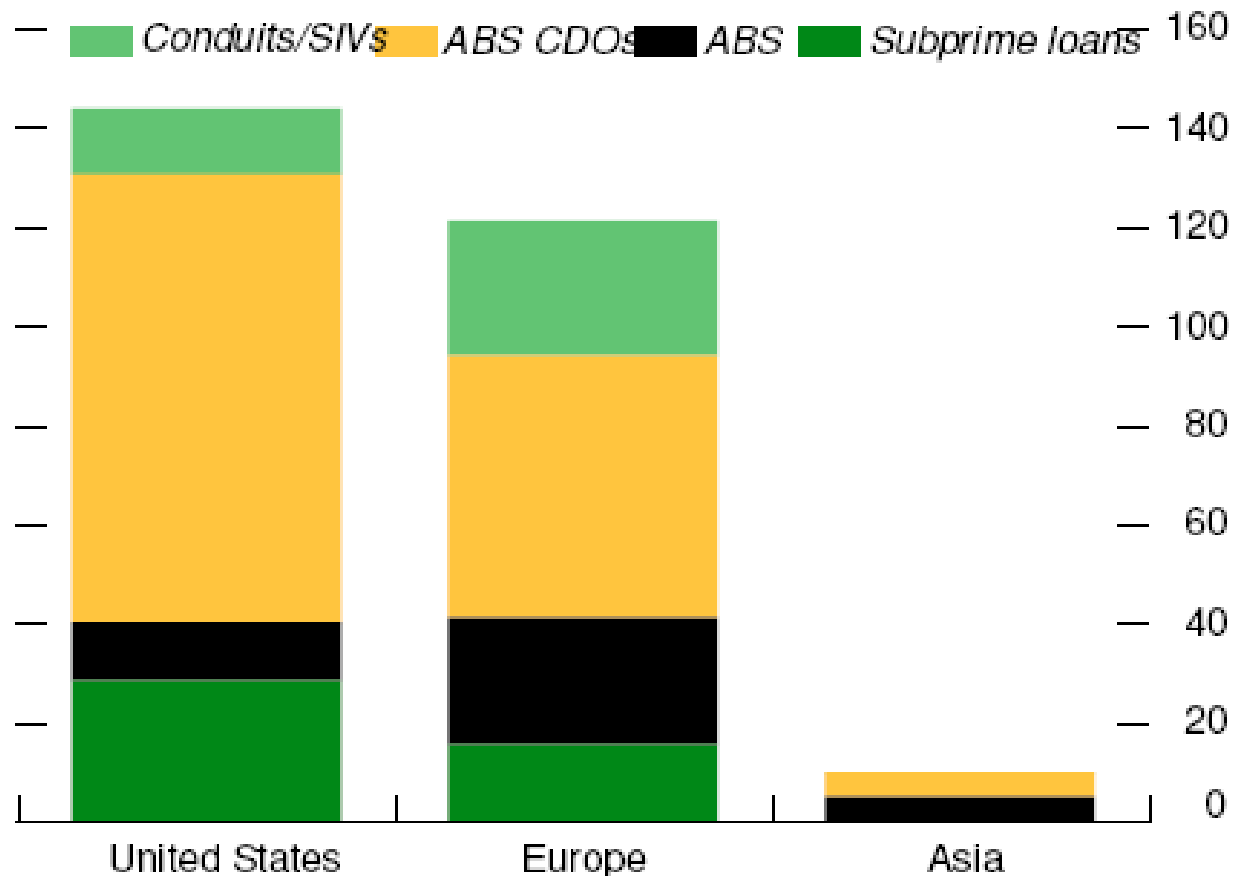
## Figure 1.12. Comparison of Financial Crises



Sources: World Bank; and IMF staff estimates.

Note: U.S. subprime costs represent staff estimates of losses on banks and other financial institutions from Table 1.1. All costs are in real 2007 dollars. Asia includes Indonesia, Korea, the Philippines, and Thailand.

**Figure 1.13. Expected Bank Losses as of March 2008**  
*(In billions of U.S. dollars)*

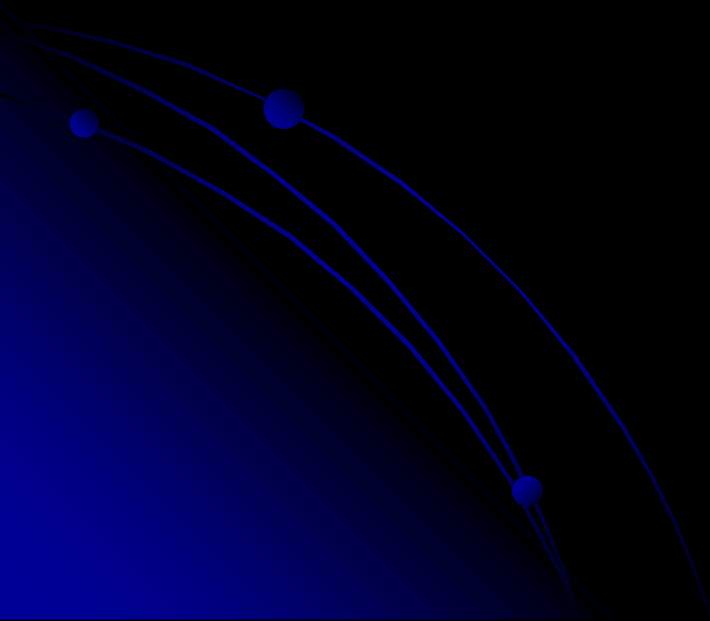


Sources: Goldman Sachs; UBS; and IMF staff estimates.

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

# New global frontiers for finance

- We should worry



# When modest income neighborhoods become part of global finance

- 1. The key is that the source of profits for financial firms of sub-prime and other mortgages for low- and modest-income households is NOT payment on the mortgage.
- The source of profits is the bundling of a large number of these mortgages to sell them on to investors, including banks and foreign investors. It worked because they were mixed up with high quality debts of all sorts.
- Credit-worthiness of

Table 1: Ratio Residential Mortgage Debt to GDP (Select countries/end 2006)

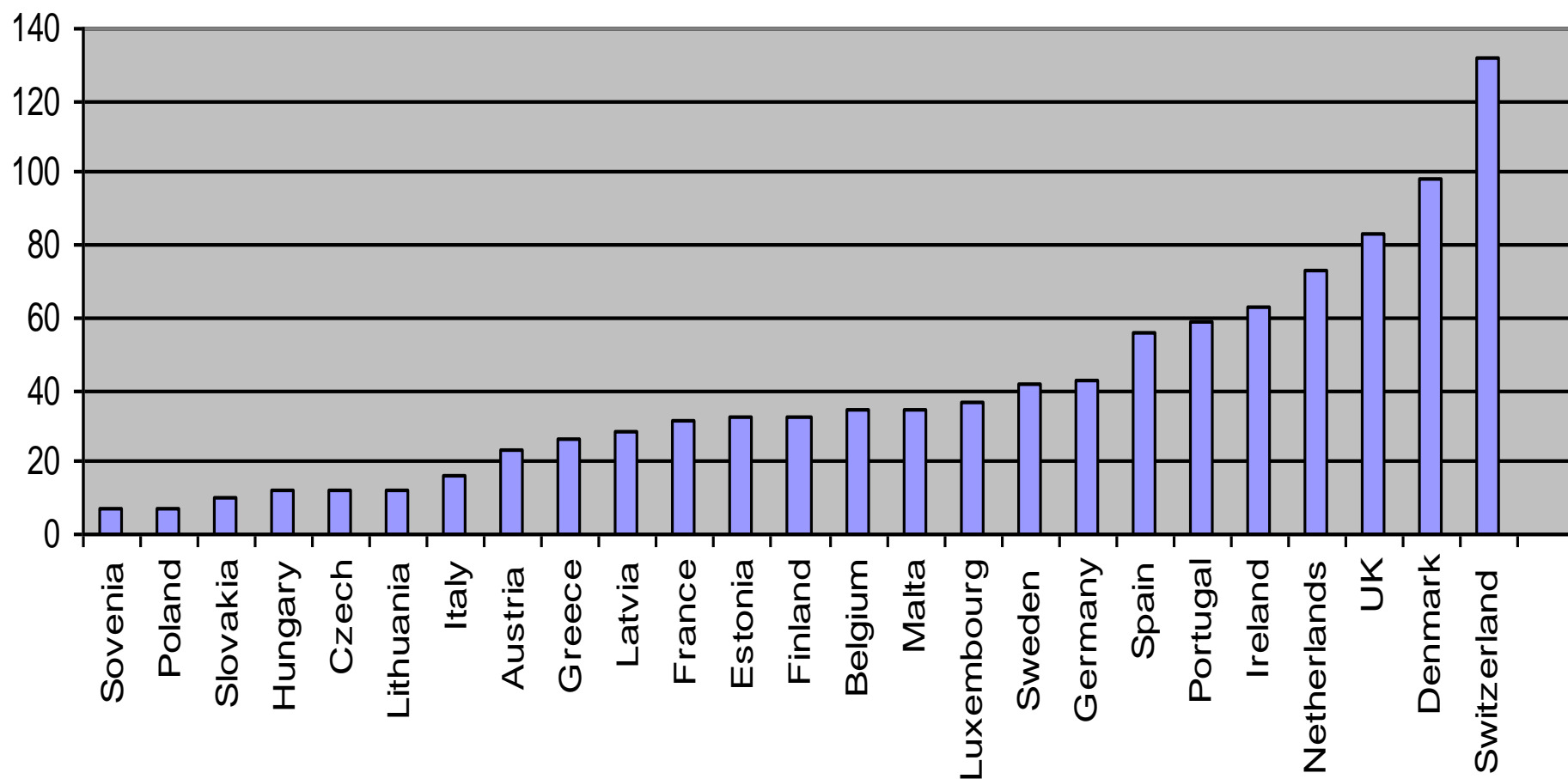
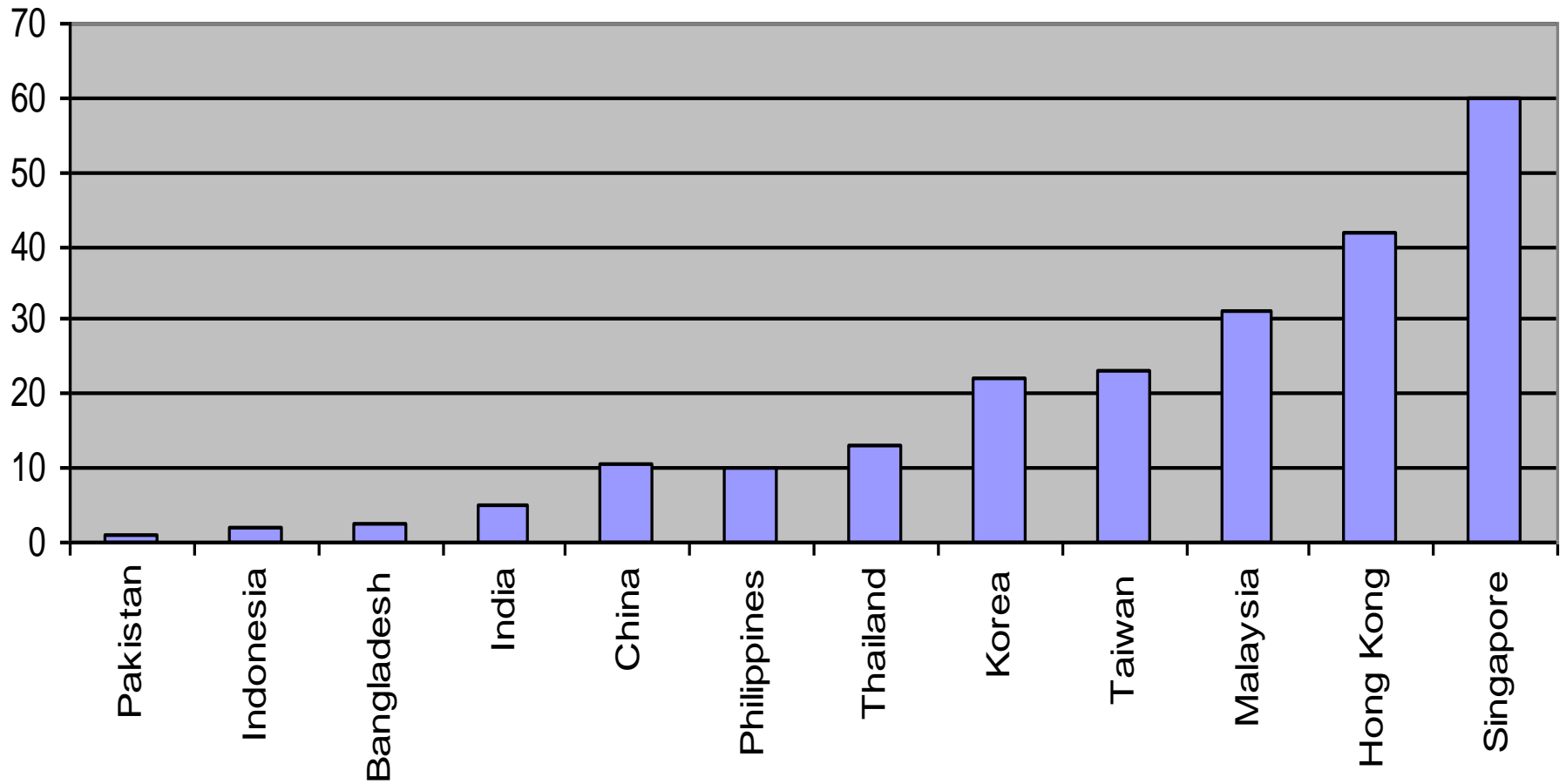


Table 2: Ratio Residential Mortgage Debt to GDP: Emerging Asia



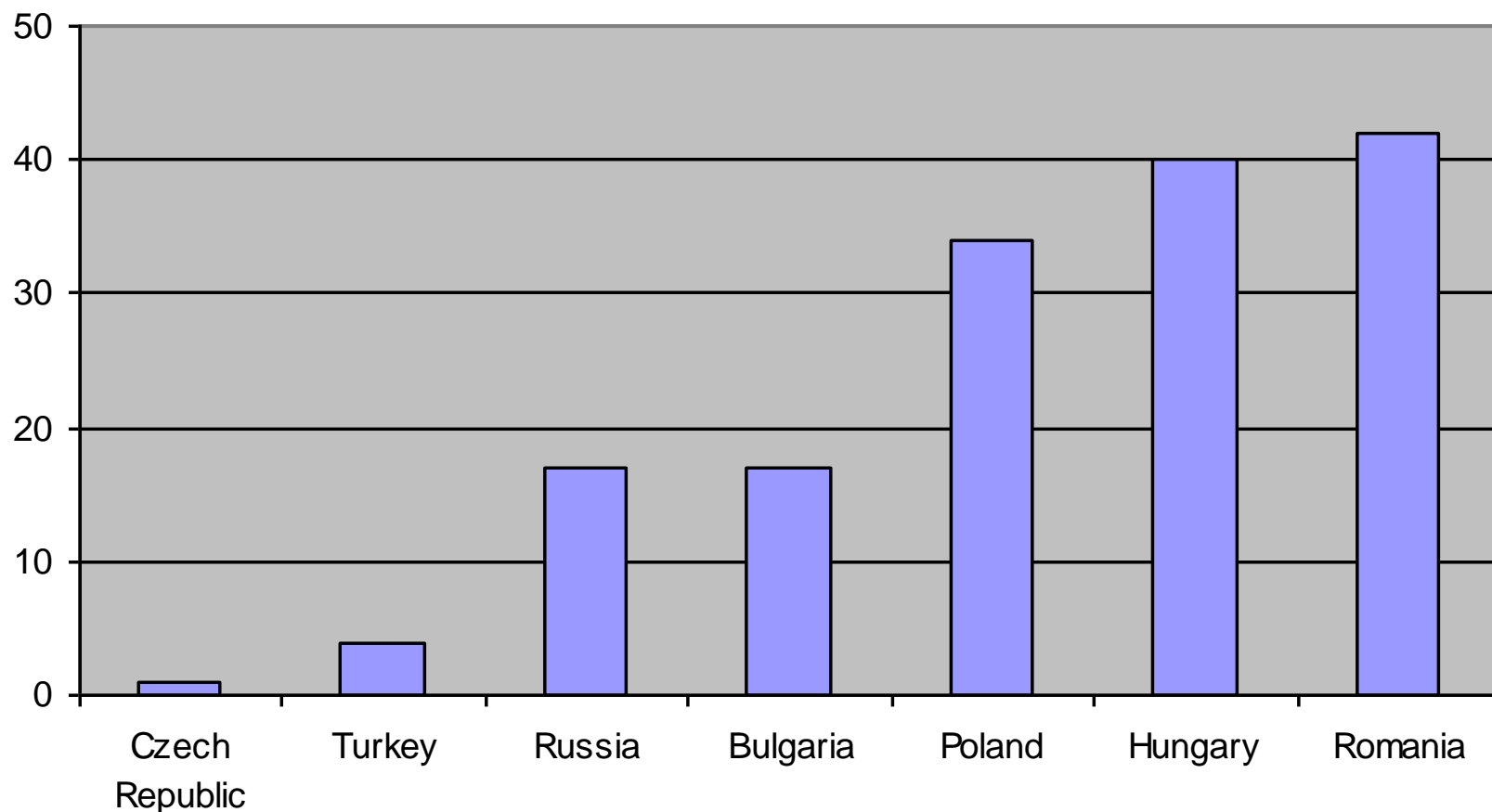
Source: Warnock, Veronica Cacdac and Warnock, Francis E., Markets and Housing Finance (February 2008). Available at SSRN: <http://ssrn.com/abstract=981641>, retrieved 24 August 2008.

**Table 8: Ratio of Household Credit to Personal Disposable Income (2000-05)**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>Emerging Markets</b>						
<b>Czech Republic</b>	<b>8.5</b>	<b>10.1</b>	<b>12.9</b>	<b>16.4</b>	<b>21.3</b>	<b>27.1</b>
<b>Hungary</b>	<b>11.2</b>	<b>14.4</b>	<b>20.9</b>	<b>29.5</b>	<b>33.9</b>	<b>39.3</b>
<b>Poland</b>	<b>10.1</b>	<b>10.3</b>	<b>10.9</b>	<b>12.6</b>	<b>14.5</b>	<b>18.2</b>
<b>India</b>	<b>4.7</b>	<b>5.4</b>	<b>6.4</b>	<b>7.4</b>	<b>9.7</b>	<b>...</b>
<b>Korea</b>	<b>33.0</b>	<b>43.9</b>	<b>57.3</b>	<b>62.6</b>	<b>64.5</b>	<b>68.9</b>
<b>Philippines</b>	<b>1.7</b>	<b>4.6</b>	<b>5.5</b>	<b>5.5</b>	<b>5.6</b>	<b>...</b>
<b>Taiwan</b>	<b>75.1</b>	<b>72.7</b>	<b>76.0</b>	<b>83.0</b>	<b>95.5</b>	<b>...</b>
<b>Thailand</b>	<b>26.0</b>	<b>25.6</b>	<b>28.6</b>	<b>34.3</b>	<b>36.4</b>	<b>...</b>
<b>Mature Markets</b>						
<b>Australia</b>	<b>83.3</b>	<b>86.7</b>	<b>95.6</b>	<b>109.0</b>	<b>119.0</b>	<b>124.5</b>
<b>France</b>	<b>57.8</b>	<b>57.5</b>	<b>58.2</b>	<b>59.8</b>	<b>64.2</b>	<b>69.2</b>
<b>Germany</b>	<b>70.4</b>	<b>70.1</b>	<b>69.1</b>	<b>70.3</b>	<b>70.5</b>	<b>70.0</b>
<b>Italy</b>	<b>25.0</b>	<b>25.8</b>	<b>27.0</b>	<b>28.7</b>	<b>31.8</b>	<b>34.8</b>
<b>Japan</b>	<b>73.6</b>	<b>75.7</b>	<b>77.6</b>	<b>77.3</b>	<b>77.9</b>	<b>77.8</b>
<b>Spain</b>	<b>65.2</b>	<b>70.4</b>	<b>76.9</b>	<b>86.4</b>	<b>98.8</b>	<b>112.7</b>
<b>United States</b>	<b>104.0</b>	<b>105.1</b>	<b>110.8</b>	<b>118.2</b>	<b>126.0</b>	<b>132.7</b>

Source: IMF Staff estimates based on data from country authorities, CEIC, OECD, and Bloomberg

**Table 11: Share of Foreign-Currency-Denominated Household Credit, End-2005 (In percent of total household credit)**

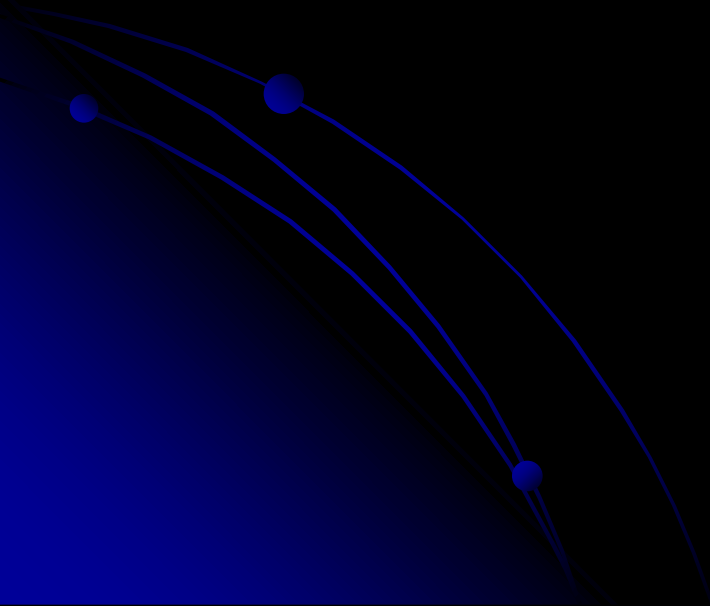


Source: IMF 2006. "Global Financial Stability Report: Market Developments and Issues." *IMF: World Economic and Financial Surveys*. September, 2006. Retrieved August 26, 2008. [<http://www.imf.org/external/pubs/ft/GFSR/2006/02/pdf/chap2.pdf>] p. 54

**Table 13: Rate of Subprime Lending by Borough, 2002 - 2006**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Bronx</b>	14.2%	19.7%	28.2%	34.4%	27.4%
<b>Brooklyn</b>	9.2%	13.9%	18.4%	26.1%	23.6%
<b>Manhattan</b>	1.3%	1.8%	0.6%	1.1%	0.8%
<b>Queens</b>	7.7%	12.6%	17.8%	28.2%	24.4%
<b>Staten Island</b>	7.2%	11.1%	13.9%	19.9%	17.1%
<b>NYC Total</b>	7.0%	10.8%	14.9%	22.9%	19.8%

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

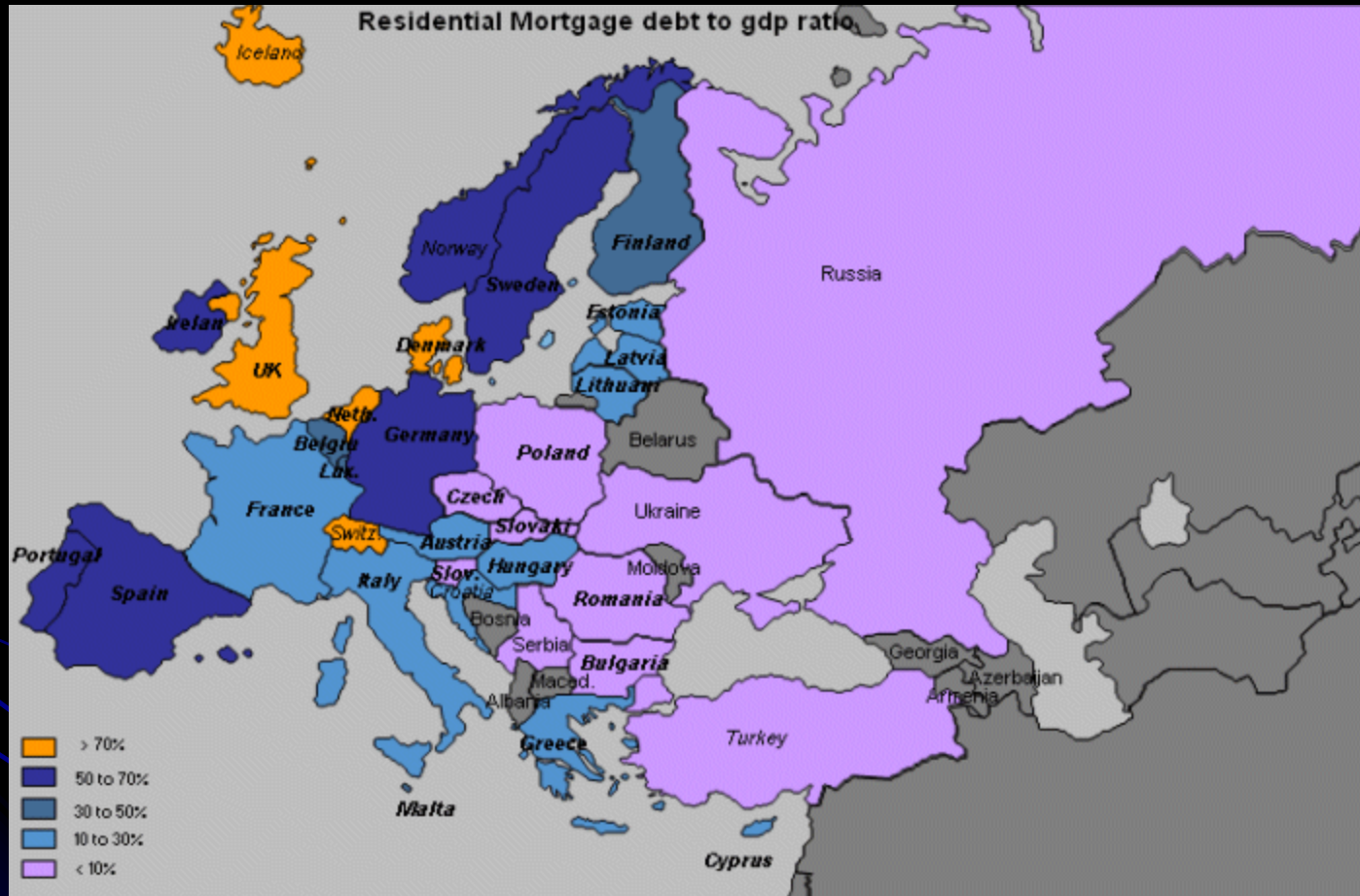


**Table 15: Rate of Subprime Lending by Race in New York City, 2002 - 2006**

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

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

# Residential Mortgage debt to GDP ratio %, end 2007

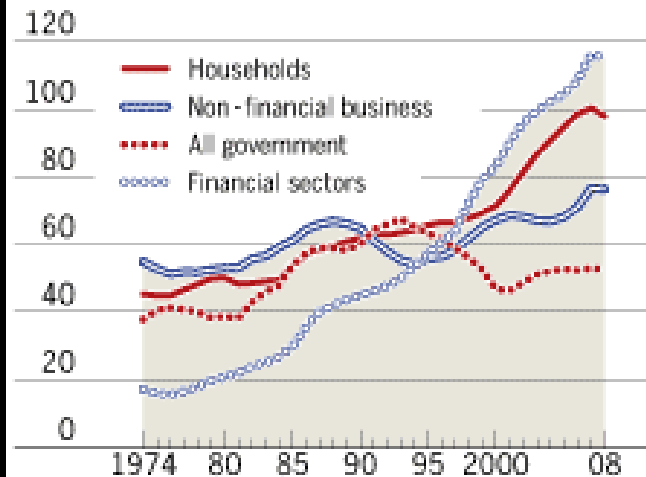


Source: European Mortgage Federation

Available at <http://www.hypo.org/content/default.asp?PageID=202> (retrieved 5 April 2009)

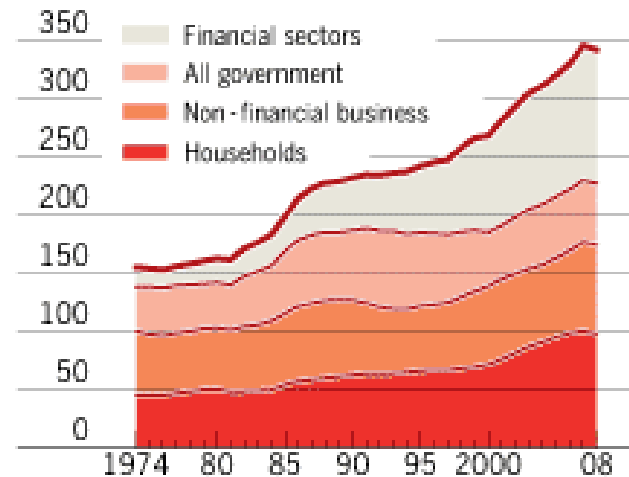
### Sectoral gross debt

% of GDP



### Sectoral contribution to debt

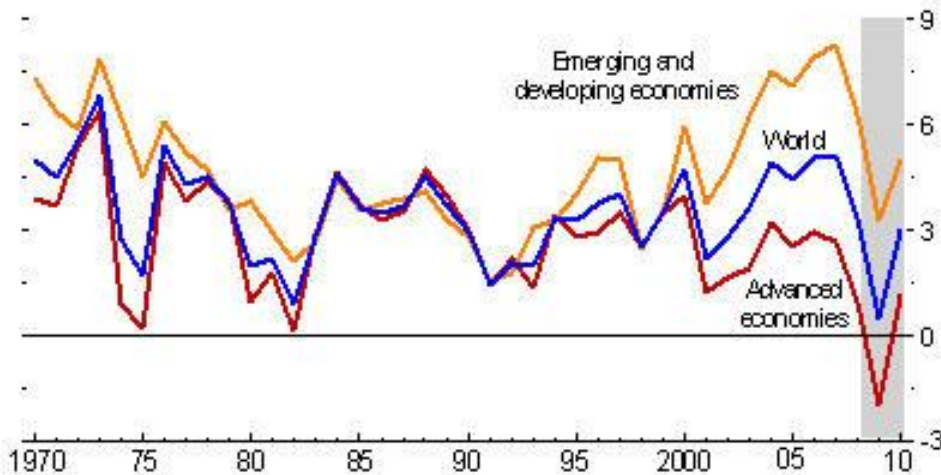
% of GDP



Source: <http://www.businessinsider.com/henry-blodget-our-debt-2009-4>

**Figure 1. GDP Growth**

(Percent change)



Source: IMF staff estimates.

Source: World Economic Outlook Update. *IMF*.  
January 2009.

Available at  
<http://www.imf.org/external/pubs/ft/weo/2009/update/01/index.htm> (retrieved 5 April 2009)

Global growth in 2009 is expected to fall to  $\frac{1}{2}$  percent when measured in terms of purchasing power parity and to turn negative when measured in terms of market exchange rates (Table 1.1 and Figure 1, view: Data Figure 1). This represents a downward revision of about  $1\frac{3}{4}$  percentage point from the November 2008 WEO Update. Helped by continued efforts to ease credit strains as well as expansionary fiscal and monetary policies, the global economy is projected to experience a gradual recovery in 2010, with growth picking up to 3 percent. However, the outlook is highly uncertain, and the timing and pace of the recovery depend critically on strong policy actions.

Table 1 Subprime capital infusions from Sovereign Wealth Funds

end-October 2008

	\$ Billion	stake (%)
Citigroup	22.0	12.7
Merrill Lynch	12.2	23.0
UBS	11.5	12.0
Morgan Stanley	5.0	9.9
Barclays	5.0	5.2
Canadian Imperial Bank	2.7	11.1
Bear Stearns	1.0	6.0
Chrysler Tower	0.8	n/a
Kaupthing	0.3	5
Total	60.5	

Source: Bloomberg, SWF Institute

Source: "Sovereign Wealth Funds" *IFSL Research*. March 2009

Available:

<http://www.ifsl.org.uk/output/ReportItem.aspx?NewsID=20> (retrieved 5 April 2009)

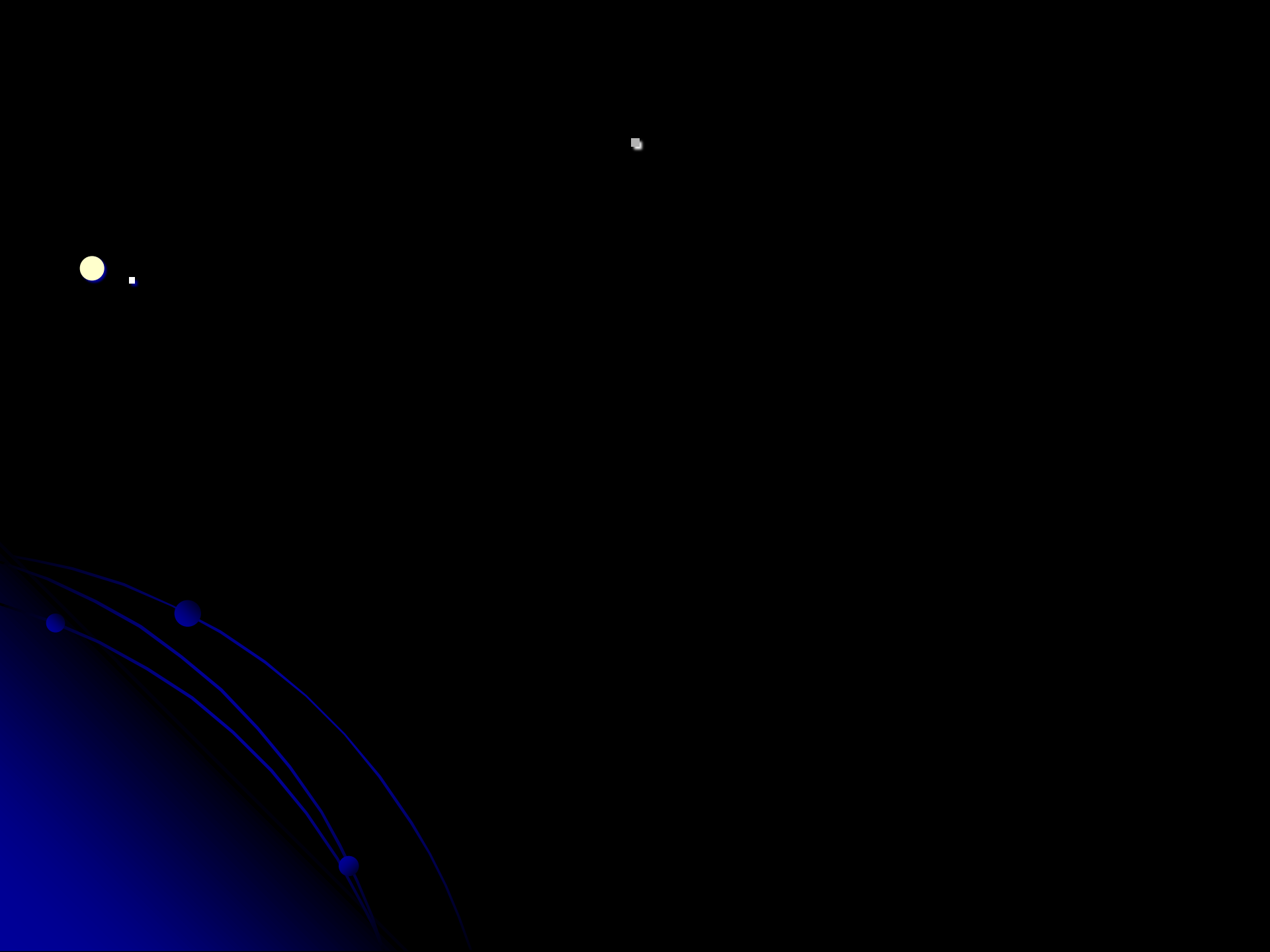
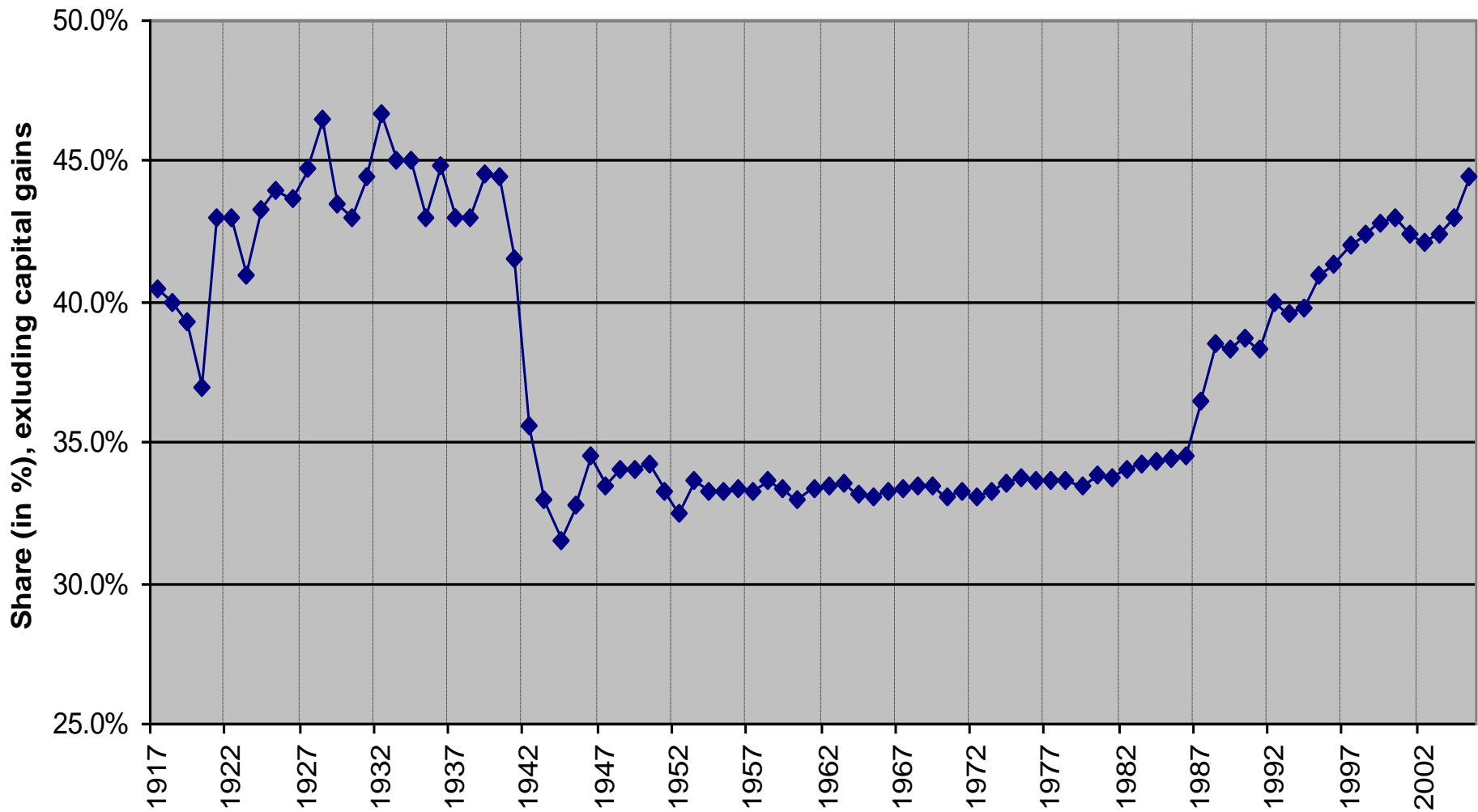


Table 20



•\*Income is defined as market income but excludes capital gains

•Source: Mishel, L. 2004. "Unfettered Markets, Income Inequality, and Religious Values." *Viewpoints*. May 19, 2004. Economic Policy Institute. Retrieved July 26, 2008 [ [www.epi.org/content.cfm/webfeatures\\_viewpoints\\_moral\\_markets\\_presentation.](http://www.epi.org/content.cfm/webfeatures_viewpoints_moral_markets_presentation.)] [[kqb1](#)]

