

## GLOBAL CITY-REGIONS: AN OVERVIEW

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### Introduction

There are now more than 300 city-regions around the world with populations greater than one million. At least twenty city-regions have populations in excess of ten million. They range from familiar metropolitan agglomerations dominated by a strongly-developed core such as the London region or Mexico City, to more polycentric geographic units as in the cases of the urban networks of the Randstad or Emilia-Romagna. Everywhere, these city-regions are expanding vigorously, and they present many deep challenges to researchers and policy makers as we enter the 21st century. The processes of world-wide economic integration and accelerated urban growth make traditional planning and policy strategies in these regions increasingly problematical while more fitting approaches remain in a largely experimental stage. New ways of thinking about these processes, and new ways of acting to harness their benefits and to control their negative effects are urgently needed.

The concept of global city-regions can be traced back to the “world cities” idea of Hall (1966) and Friedmann and Wolff (1982), and to the “global cities” idea of Sassen (1991). We build here on these pioneering efforts, but in a way that tries to extend the meaning of the concept in economic, political and territorial terms, and above all by an effort to show how city-regions increasingly function as essential spatial nodes of the global economy and as distinctive political actors on the world stage. In fact, rather than being dissolved away as social and geographic objects by processes of globalization, city-regions are becoming increasingly central to modern life, and all the more so because globalization (its effects magnified by shifts in technology) has reactivated their significance as bases of all forms of

productive activity, no matter whether in manufacturing or services, in high-technology or low-technology sectors. As these changes have begun to run their course, it has become increasingly apparent that that city in the narrow sense is less an appropriate or viable unit of local social organization than the city or networks of cities in regional context. One tangible expression of this idea can be observed in the forms of consolidation that are beginning to occur as adjacent units of local political organization (provinces, *Länder*, counties, metropolitan areas, municipalities, *départements*, and so on) search for region-wide coalitions as a means of dealing with the threats and the opportunities of globalization. In this process, we argue, global city-regions have emerged of late years as a new and critically important kind of geographic and institutional phenomenon on the world stage.

In what follows, we attempt to bring these remarks into closer conceptual focus. Our discussion is driven by five main questions, i.e.,

1. Why are global city-regions growing rapidly precisely at a moment in history when some analysts are claiming that the end of geography is in sight, and that the world is turning into a placeless space of flows?
2. How have forms of economic and social organization in city-regions responded to globalization, and what new problems have been created as a consequence?
3. What main governance tasks do global city-regions face as they seek to preserve and enhance their wealth and well-being?
4. Is it possible for the less economically advanced parts of the world to harness the potential benefits of global city-region development to their own advantage, and what are the main drawbacks of such development for them?
5. How can we define the public interest in culturally heterogeneous global city-regions? In particular,

how are traditional notions of democracy and citizenship being challenged by the emergence of global city-regions and in what ways can they be made more effective in this new context?

Cutting across all of these questions are the competing claims of the two main political ideologies that seem most clearly poised to assume prominent roles in modern capitalist societies in the decades immediately ahead, namely, a currently dominant neoliberalism, and -- most evident today in certain parts of the European Union -- a new social democratic (or social market) perspective. These two ideologies offer in theory and practice quite contrasting visions of the future of global city-regions.

### The New Regionalism in Global Context

In the immediate post-War decades almost all of the major capitalist countries were characterized by strong central governments and tightly bordered national economies. These countries formed a political bloc within the framework of a Pax Americana, itself underpinned by a network of international arrangements (the Bretton Woods system, the World Bank, the IMF, GATT) through which they sought to regulate their economic relations. Even though international trade and investment flows expanded rapidly in the post-war period, they scarcely disrupted the ability of nation-states to implement distinctive economic policies. One consequence of this situation was that each country had its own peculiar national institutional structure shaping social and demographic processes and generating a national urban system.

Today, globalization has brought about significant transformations of this older order of things. There are many institutional experiments now under way and which are leading in the direction of a new social and political organization of space. This new organization consists above all of a hierarchy of interpenetrating territorial scales of economic activity and governance relations, ranging from the global

to the local, and in which the emerging system of global city-regions figures prominently. Four main points need to be made about this hierarchy.

**1.** Huge and ever-increasing amounts of economic activity (input-output chains, labor migrations, trade, foreign direct investment, international business operations, monetary flows, and so on) now occur in extensive cross-national networks. As globalization moves forward, it creates conflicts and predicaments that in turn activate a variety of political responses and institution-building efforts. Examples include the major international financial and business arrangements that are already in place, such as the G7/G8 group, the OECD, the World Bank, the IMF, and a newly streamlined GATT, now known as the World Trade Organization. While these particular political responses to the pressures of globalization remain limited in scope and limited real authority, they are liable to expansion and consolidation as capitalism continues to globalize.

**2.** In part as a corollary of these same pressures, there has been a proliferation over the last few decades of multi-nation blocs such the EU, NAFTA, MERCOSUR, ASEAN, APEC, CARICOM, and many others. These blocs, too, represent institutional responses to the stresses created by the steady spilling over of national capitalisms beyond their traditional political boundaries. They remain in various stages of development at the present time, with the EU being obviously in the vanguard. However, because they involve only small numbers of participants, they are clearly more manageable as political units (i.e. internal transactions costs problems are relatively restrained and consensus is easier to attain) in comparison with actual or putative global organizations.

**3.** Sovereign states and national economies remain dominant elements of the contemporary economic and political landscape, though they are clearly undergoing deep transformation. Individual states no longer enjoy the same degree of sovereign political autonomy that they once possessed, and

under conditions of intensifying globalization they find themselves less and less able or willing to protect all the regional and sectional interests within their jurisdictions. Numerous economic sectors have been subject to massive debordering over the last few decades so that it is increasingly difficult, if not impossible, to say precisely where, say, the American economy ends and the German or Japanese economies begin. As a result, some of the regulatory activities that were formerly carried out under the aegis of the central state are being assimilated into institutions at supra-national levels of definition; at the same time, other functions have been drifting down to institutions whose range of operation is more local or regional.

4. Accordingly, and most importantly for the purposes of the present chapter, there has been a resurgence of region-based forms of economic and political organization, with the clearest expression of this tendency being found in certain large global city-regions. That said, the economic and political trajectories of these city-regions cannot be fully understood except in relationship to the complex hierarchy of interpenetrating territorial scales referred to above.

The notion of a resurgence of region-based economic and political activity requires further elaboration. The propensity for certain types of economic activity -- manufacturing and service sectors alike -- to gather together in dense locational clusters appears to have been intensifying in recent decades. This quest for mutual proximity on the part of all manner of economic agents at the present time is in significant degree a strategic response to heightened economic competition which -- in many segments of the economy -- has intensified uncertainty and placed a premium on learning and innovation. Clustering enables firms to respond to these challenges by allowing them greater levels of operational flexibility and by enhancing their innovative capacities. Globalization has accentuated this process, though it is by no means the exclusive cause of it, so that with the internationalization of

markets, the economies of global city-regions have grown accordingly. Large city-regions are thus coming to function as territorial platforms from which concentrated groups or networks of firms contest global markets. At the same time, many regions are now subject to intensified cross-border competitive pressures. They are thus faced with the choice of either submitting to these pressures passively, or engaging actively in institution-building and policy-making in an effort to turn globalization as far as possible to their benefit. The choice is an especially critical one for city-regions because central governments nowadays are finding it increasingly difficult to deal with the varied needs of all the different localities that they oversee, especially as they are often marked by quite idiosyncratic social relationships. To complicate this state of affairs, many city-regions are also finding themselves faced with important new tasks of local political integration and representation. These tasks are of special urgency at a time when global city-regions function more and more as poles of attraction for low-wage labor migrants from all over the world, so that almost everywhere their populations are becoming increasingly polyglot and interspersed with marginalized social groups. As a consequence of this, many city-regions today are being confronted with pressing issues related to political participation and the local reconstruction of political identity and citizenship.

The new map of the world that is coming into being as these trends take their course can in large degree be represented in terms of the four intersecting territorial scales of economic and political relations described above, together with a series of cross-cutting relational forms ranging from international civil bodies to the far-flung operations of multinational corporations. At the geographic base of the whole system lies a mosaic or archipelago of large city-regions constituting one of the principal structural networks of the new global economy (Veltz, 1996). It is to the economic functions of these localized economic systems that we now turn our attention.

### City-Regions as the Motors of the Global Economy

It has long been predicted that improvements in transportation and communications technologies, in terms of both cost and quality, will eventually undermine any need for urban concentration. With each round of technological change in this area, scholars and journalists tell us that large-scale urbanization is a thing of the past. But with each such round of development cities not only do not disappear, they become larger and more important. This is because although advances in modern transportation and communications technologies enable many forms of economic and social interaction to occur over ever-greater distances, in other cases they actually heighten the need for proximity. The key to understanding why this is true lies in the ways that different economic activities are interconnected in terms of what we might call their transactional or network relationships to each other and to the rest of the world.

In very schematic terms, two different kinds of productive activity are typically to be found in any advanced economic system, each of them corresponding to a fundamentally different type of network structure. On the one hand, certain kinds of production are highly routinized: they rely on forms of knowledge that are relatively well codified and on machines and work processes where repetition is the dominant pattern of action. In economic terms, this means that it is possible to plan this sort of activity with some degree of confidence and to carry it out at very large scales. The necessary materials and inputs used in production can thus often be acquired according to a given schedule, and they can be purchased in large volumes. This means, too, that these materials and inputs can be brought in cheaply over large distances, for the ability to plan and to purchase in large volumes means that their unit costs can be kept low. Under these circumstances, the linkages between functionally related firms are likely to have a rather limited impact on locational decisions, and firms will be relatively free to seek out locations

quite distant from one another. In practice, and because production is routinized in this type of system, the chosen locations will often coincide with pools of cheap, unskilled labor, sometimes far from any major urban center.

On the other hand, we find economic sectors where quite different kinds of conditions hold. Vast areas of the contemporary economy involve activities where enormous uncertainty prevails, and where there are strong limits on producers' abilities to routinize or simplify their operations, especially in regard to their mutual interactions. In high-technology industry, for example, producers are frequently faced not only with rapid shifts in basic technologies themselves, but also with demands for their products that vary greatly from one customer to another and from one moment to the next. In high-level business and financial services, the changing project-oriented and client-oriented product means that firms must be organized so as to vary the mix of skills and resources that they bring to each particular job; further, the skills and resources themselves (especially human intellectual assets) are not widely available because they are quite specialized. In industries faced with markets that fluctuate because of constant design changes or fashion effects (more broadly, product differentiation processes), firms must be prepared to change and recombine equipment and labor and to monitor shifts in the market, often on a day-to-day basis.

In the latter circumstances, firms find it difficult to routinize their operations and to plan their relations with other firms, or even with their own workers over extended time frames. They come to depend on networks that facilitate recombination and change, in contrast to the more rigid kinds of networks that typically underpin the first group of firms. Recombination and change are potentially very costly, however, because they depend on high levels of access to a wide variety of information and resources. Firms need to know what different kinds of suppliers and (shifting) market opportunities are



available to them. Workers need to know about alternative job opportunities, especially where labor markets are characterized by high levels of flexibility. Often, and in spite of the informatics revolution, the knowledge underlying these processes is quite tacit. Acquiring this economically-useful knowledge in a timely fashion depends on human relationships and on being able to interpret the information in meaningful ways. Simultaneously, where economic specialization and flexibility are strongly present, rapid shifts in underlying networks of transactions occur as firms negotiate new contracts or restructure their buying and selling relationships, and as workers shift from one job to another. These are networks, in short, that are characterized by high levels of uncertainty, instability, and complexity. In these circumstances, the costs of transacting rise greatly as distance increases, and with the geographical scattering of producers, both efficiency and creativity effects become increasingly dissipated.

At the same time, producers in these industries gain significant competitive advantages from their co-presence in the dense transactional networks that come into being as they buy and sell from each other, hire workers from the local labor pool, participate in both formal and informal business associations, and so on. These networks underpin an atmosphere rich in constantly shifting bodies of information (much of it quite informal) about technologies, markets, and product designs. As such, they help to foster economic creativity and innovation in many different types of sectors, including, in particular, some of the most dynamic leading edges of the contemporary economy such as high-technology industry, services, and cultural-products industries.

In the post-War years, and up until about the early 1970s, most of the major capitalist economies seemed to be moving in the direction of increasingly routinized production, especially in manufacturing. However, for a variety of complex reasons, beginning with the economic crises of the early and mid-1970s, economic environments tended to become much less stable than they had been, forcing firms in

many sectors to adopt more flexible technologies and organizational patterns. In addition, new digital technologies were now encouraging destandardization of production processes, just as rising incomes and proliferating market niches were stimulating a search for wider product variety. For all of these reasons, the second type of production described above has come to be pervasive, if not now dominant, in the advanced capitalist societies, so that increasingly important shares of output and employment are now accounted for by flexibly-networked production systems or value chains.

These arguments lead to the key question of the relationships between these flexibly-networked systems and large cities, and this question hinges fundamentally around the issue of economic productivity, performance, and innovation. For one thing, the different firms and actors that participate in these networks all receive a tremendous boost to their efficiency by being part of tightly-linked and spatially-concentrated clusters, not only because clustering greatly mitigates transactions costs, but also because of the flexibility and information effects referred to above. For another, creativity and innovation within the production system are much enhanced, in part because of the great variety of different skills, sensibilities, and experiences embodied in the labor force, and in part because the agglomeration of interdependent producers in one place increases the probability of encounters in which novel insights and/or economically-useful knowledge are engendered. In addition, firms have greater access to a more varied group of suppliers and business opportunities than they would have if they were all at widely separated locations. The local availability of a wide range of specialized suppliers and workers permits firms to be more flexible, and frees them from investment in the excess inventories that would otherwise be necessary where the risks of breakdowns in supply chains or market outlets are high. Overhead costs can be kept to a relatively low level because equipment and inventories are stored, as it were, in the networked collectivity of producers. Workers, too, are able to tap into richer bodies of

local labor market information as well as to increase their access to potential job opportunities, thus enhancing their ability to change jobs, or to find new jobs when they are unemployed. Of course, the contemporary economy is also marked by well-developed long-distance supplier relationships and recruiting activities. But oftentimes, as we shall see, these relationships also feed into highly localized production networks.

Productivity and performance are thus raised by urban concentration in two ways. First, concentration secures overall efficiency of the economic system. Second, it intensifies creativity, learning, and innovation both by the increased flexibility of producers that it makes possible and by the enormous flows of ideas and knowledge that occur alongside the transactional links within localized industrial networks. Such networks are typically to be found at the economic cores of the world's major city-regions today, and in many cases, they are the basis of significant new rounds of urban expansion. Moreover, the economies of these city-regions are to an increasing degree tied in to world markets, thus stimulating yet further growth which in turn encourages more specialized producers to appear in any given network. The films of Hollywood, the semiconductors of Silicon Valley, the banking and financial services of New York and London, and the fashions of Paris all represent the outputs of clustered flexible production networks whose fortunes are strongly tied to world market demand. Other examples include mechanical engineering in Baden-Württemberg and Bavaria, the small-firm craft-based industries of northern Italy, the jewelry industry in Bangkok, or furniture production in Guadalajara, Mexico. In this manner, global city-regions come to function increasingly as the regional motors of the global economy, that is, as dynamic local networks of economic relationships caught up in more extended world-wide webs of inter-regional competition and exchange.

To be sure, this description is only a starting point for a fuller analysis of the economic structure of

global city-regions. But the essential key to understanding why, in an era of generally declining transportation and communication costs, we still have a world that is organized around large urban regions (rather than around a more diffuse pattern of location), lies in the ways in which the economies of these regions have become so closely tied in with clustered flexible networks of firms that compete on increasingly extended markets.

### The Social Geography of Global City-Regions

The forces shaping the emergence of global city-regions have had marked impacts on their internal social geography -- patterns of social stratification, intra-metropolitan income distribution and demographics, and ways of daily life. Three striking outcomes dominate these localized effects of globalization and economic restructuring.

The first is the increased cultural and demographic heterogeneity induced primarily by large-scale migration into global city-regions. Migration has been oriented most insistently to the largest city-regions, creating some of the most culturally diverse urban agglomerations in history. As with so much that has been happening in this age of intensified globalization, this increased cultural heterogeneity is associated with both explosive dangers and creative new opportunities for social mobility and social justice.

The second main outcome is a pronounced change in the spatial morphology of global city-regions. Whereas most metropolitan regions in the past were focused mainly on one or perhaps two clearly-defined central cities, the city-regions of today are becoming increasingly polycentric or multi-clustered agglomerations. Two extreme examples of such multi-clustered agglomerations are represented by Shanghai and the Pearl River Delta, global city-regions that each contain more than thirty

million inhabitants. Moreover, in virtually all global city-regions there has been a rapid growth of outer cities and edge cities, as formerly peripheral or rural areas far from old downtown cores have developed as urban centers in their own right. The blurring of once rigid and clearly defined boundaries has been an integral part of the globalization process and the new information age, and this is now reflected in the increasingly ambiguous meaning of what is urban, suburban, exurban, or indeed rural or not urban at all. Thus, what has been happening can be described as a simultaneous and complex process of decentralization and recentralization of the city-region. Many older established central agglomerations have been experiencing an outflow of certain population groups and employment activities, but the spaces they have vacated have also typically been re-occupied by new immigrant communities and economic functions. At the same time, new poles of urban growth are being created in the periphery, stretching and pinning down the urban fabric in a recentered regional constellation of cities. Here again there arise both positive and negative consequences for political and economic health and well-being.

The third major effect of globalization and economic restructuring on the social geography of city-regions is closely related to the previous two, but is even more challenging in its direct political and policy implications. It is becoming apparent that globalization and its associated forms of economic change tend to widen the gap between the wealthy and the poor in economic, social and spatial terms. Globalization intensifies these trends by stimulating the growth of high-wage occupations in large cities while promoting (especially in a context of large-scale immigration from low-wage countries) the proliferation of marginal, low-skill jobs. For example, in the early 1990s it was reported that the disparity between wealth and poverty had grown in all the developed industrial countries, in both big and small cities. This gap tends to peak in the largest global city-regions, particularly because a high

proportion of the rich tends to live in these places. In many such places, too, there is rapid growth of the welfare-dependent urban underclass as well as of the working poor, as represented for example by households with multiple jobholders who are nonetheless unable to live comfortably above the poverty line.

Any attempt to explain the detailed causes of increasing polarization and socio-economic inequalities in global city-regions is inevitably highly controversial, and there are many analysts across the political spectrum who argue that the observable disparities in these regions are a result of rapid economic growth rather than of globalization as such. Whatever the final verdict on this question may be, there is good reason to place the issue of rising levels of social and spatial polarization high on the policy agenda in any discussion of the problems facing the development of global city-regions in the new millennium. At the level of national policy, for example, there seems to be a perplexing trade-off between social protection and job generation. In comparison to most of Western Europe, the US has been very successful with regard to job generation but much less so in dealing with rising socio-economic inequalities. Even in the European Union, however, there are cases where the both objectives have been met simultaneously, as in Denmark or the Netherlands. Hence, there are several different policy contexts where mutual learning might be highly productive and where some progressive middle ground or third way (Giddens, 1998) might be profitably explored between free-wheeling neoliberalism and traditional welfare statism.

At the scale of the city-region, there are further pressing social policy challenges. High on the list of these challenges is how best to accommodate expanding immigrant populations, for there can be little doubt that immigration, especially into the larger global city-regions, will continue well into the twenty-first century. There is much evidence to suggest that immigrant populations play a vital role in

regional economic development, not only as cheap labor but also as innovative entrepreneurs, especially in sectors marked by many small firms and flexible production arrangements like clothing, electronics, and a wide variety of services. Without appropriate measures for social integration, housing, and education, it is likely to prove difficult to maintain or enlarge the productive role of immigrant workers and entrepreneurs in global city-regions and avoid political clashes with the domestic workforce and small business operators.

The rising levels of social polarization observable in most global city-regions have stimulated some innovative local responses. In the USA, for example, in the absence of adequate local government attention to their interests and problems, many low-income groups are now forming into a wide diversity of self-help and community-based organizations, and this trend is no doubt likely to intensify in the future. New coalitions like these with their focus on basic needs such as shelter, water, health, decent jobs, and living wages will almost certainly play a growing role in the reorganized civil society of global city-regions in the future. Yet the merits of this kind of substitution of civil for governmental action are debatable, for there is no guarantee that it will generate those equitable forms of social protection, which are one of the cornerstones of democratic practice in many societies. A very different kind of situation exists at the opposite end of the economic spectrum in global city-regions. Those at the top of the income ladder seem increasingly to be withdrawing from civil society and civic responsibility into fortified households and gated communities, creating their own kind of private residential governance structures or “privatopias” (Mackenzie, 1994). As we shall see below, this fundamentally undemocratic approach to the organization of urban space is even more marked in a number of developing countries. In the new geography of the global city-region social distance as well as economic distance between the haves and have-nots is steadily on the rise.

The socio-spatial reorganization of global city-regions has had other negative consequences as well. As these cities have grown and extended outward, and as their populations have become more and more diverse, a complex set of spatial mismatches in the location of jobs, housing, and transit facilities have been created, giving rise to severely adverse effects on the quality of life as well as (indirectly) to many negative environmental impacts. At one extreme, this state of affairs has compounded the problems of the inner city poor, for as good jobs disappear to the outer cities, the existing housing stock becomes excessively rundown and overcrowded, and homelessness rises. At another extreme, rapid outward expansion of the urban fringe often creates isolated peripheral areas where families attracted by cheap housing find themselves stranded so far from their jobs that they must travel for extended periods of time each way to work.

The culturally heterogeneous, polycentric, socially and spatially segmented global city-region is thus a highly fragmented chess-board of uneven development sprawling ever outward. The expanded city-region functions as a vital platform of competitive advantage and generative growth in the global economy, but at the same time this regional world of production (Storper, 1997) often rests upon institutional structures of governance and planning that are inadequate to sustain effective social order, not to mention continued economic health. The creation of new and responsive frameworks of regional governance capable of sustaining economic development, instigating a sense of cooperative regional identity, and promoting innovative ways of achieving regional democracy and economic fair play is the great challenge for the future.

#### New Governance Issues in Global City-Regions

Until recently, regions as political entities were mainly thought of as administrative units nested



within the territory of the nation state. Regions were thus coterminous with the local level of government, or constituted sub-territories within a national territory, mere lower levels in a hierarchy of administrative-cum-political arrangements from more to the less general and significant. To be sure, federal states have always exhibited relatively more power sharing between different levels of government than have unitary states, but in the post-War period, even federal governments tended to exert more and more influence over lower levels through increased fiscal transfers designed to realize ambitious national goals. In both cases, regions were for the most part seen as units for efficient administration of public goods and services that for technical reasons were best delivered at this geographical level. Beginning in the 1970s, however, a new regionalism began to emerge and steadily to superimpose itself on this older devolutive regionalism. The new regionalism is not so much an effect of initiatives flowing out from central government as it is a direct local response to stresses and strains set in motion by the emergence of the city-region as an important actor in the world economy.

The term governance is now widely employed to describe the multifaceted types of social and economic coordination at issue here. Concretely, many processes of governance today involve not just agencies of government but also non-governmental organizations, civil associations, private-public partnerships, and so on. The term can apply equally well to coordination of the complex economic and social environment of the global city-region as a whole as it can to collective action in regard to specific segments of urban life (such as particular sectors of production or individual neighborhoods). One important domain of governance can be identified in relation to possible and actual responses of city-regions to the new global competition. The global market and new transport and communications technologies have encouraged a restructuring of economic competition such that city-regions now increasingly emerge as privileged sites of generalized competitive advantage (Keating, 1997). In this

context, the specific character of different regions is of critical importance: local policies are increasingly being formulated to intensify competitive advantages, encourage new firm formation, improve the economic environment for local firms, and make the local business climate more attractive to mobile capital. These activist local economic development policies differ markedly from previous (top-down) approaches to regional development that tended to focus on questions of equity between regions within a given national territory. Indeed, since the incentives to creative intervention are greatest for those wealthy metropolitan areas with the most at stake in global competition, local competitive policies frequently work against equity between regions.

Here, a number of dilemmas haunt local economic development policies. One of these is connected to the widespread practice of seeking to promote development by attracting inward investment. This usually involves competitive bidding wars between different places, i.e. locational tournaments, especially directed at attracting the branch plants of transnational firms. In the USA, this practice is generally favored by central-city business elites who are most likely to benefit from it, while various peripheral and neighborhood groups see themselves as being excluded from any benefits that may accrue. Moreover, much research from both the United States and Western Europe suggests that policies devoted to assisting and retaining existing firms are more effective in stimulating local economic growth than are policies committed to capturing inward investment. Competitive tournaments with other city-regions in the effort to attract mobile capital probably offer a much lower (perhaps even negative) rate of return per dollar expended to the local community. Yet even if we accept that coordination of the diverse synergies in global city-regions is likely to be the most effective way to proceed, how best to promote these synergies and how to design institutional frameworks for this purpose is by no means clear.

In recent times, the term governance has acquired two broadly opposing connotations with respect to the role of the public sector. One of these signifies the merging of the public and private in loose partnerships, where the idea of government as a set of political relations (involving struggles and debates over both objectives and policies) is replaced with the idea of the public sphere as a relatively limited set of arrangements for harmonizing various private interests under conditions of strict market failure. From this essentially neoliberal viewpoint, city-region governance would involve the replacement of confrontation or competition between private and public interests with a technocratic approach to the solution of local problems. This line of attack tends to put a premium on the creation of a positive “business climate,” so that the locality becomes more attractive to new investors and firms can more effectively organize for successful inter-place competition. In other words, what is good for local firms is seen as being good for the entire city-region. A second sense of the term sees governance as involving a set of complex institutional reactions to the broader problems of economic and social adjustment in the emerging global-local system. From this more institutionalist point of view, the governance of city-regions is part of a larger problem of contemporary global coordination. There is no single geographical scale at which political regulation of the world economy or of its component parts can be secured. The critical issue here is coordination across geographical scales, between the policies pursued at supranational, national, and regional levels, involving both formal and informal coordination, and the possibilities of popular input into their formation and implementation at all levels (Hewitt de Alcántara 1998; Scott, 1998).

In light of the latter remarks, and as city-regions emerge into prominence as durable elements of the global system, they face many daunting tasks. One of these is concerned with achieving the right mix of cooperation and competition between firms. Balancing the return to short-term competitive behavior

by firms with the need for long-term cooperation among them to ensure steady local economic growth via resource pooling and mutual learning is a major challenge. Another concerns the ability of the national and supranational political units within which global city-regions are located to coordinate their interactions. A yet further task concerns the codification of local practices, either in terms of fixed rules of government or flexible rules of inter-organizational and inter-individual negotiation, the former maintaining formal safeguards over representation but at the expense of responsiveness to rapid socio-economic change. Finally, there is the delicate problem of efficient and streamlined public action in the face of rapidly shifting external conditions versus public accountability. Without a high degree of accountability local social inequities (in the form of income and wealth disparities, differential access to local seats of power, disparities in public goods and service provision between different areas within the city-region, etc.) created by the drive to efficiency is apt to lead to social conflict and instability (Jessop 1998).

### Global City-Regions in Developing Countries

The processes of urban and regional development we are describing here are not limited to the wealthiest countries. They are global in extent; indeed, many of the largest global city-regions are located outside of the developed world. Some of the most prominent examples include Bangkok, Buenos Aires, Cairo, Jakarta, Lagos, Mexico City, Rio de Janeiro, São Paulo, Shanghai, or Teheran.

In many cases, such city-regions developed as the principal concentrations of advanced economic activity in their national economies. In some countries, rapid industrialization is dependent on the spatial concentration of modern infrastructure and productive activity. The modern productive sector requires access to a wide range of suppliers and services, which initially can be made available at

reasonable cost in only a small number of places in these countries, due to their limited overall level of development. Particularly when there is a national push for rapid industrial development, it tends to result in super-agglomerations. These large urban centers also become the privileged basing points for the biggest national and transnational companies. The location of such companies in these cities reinforces local growth and sustains a complex tertiary sector in the national economy.

Such development often acts as an attraction for the rural poor in these countries, who go to the city in search of higher incomes. This pull factor, coupled with the extensive modernization of agricultural activity and policies that push people off the land, frequently generates extremely high rates of local population growth, and results in a situation where a small number of cities in these countries comes to account for a high proportion of the national population. This further helps to explain the phenomenon of megalcephalic urban development in developing countries.

It should be emphasized that the extreme urban concentration found in many developing countries results from the combination of two essential dynamics: one of these concerns forces similar to those found in developed countries and that lead to the appearance of large productive clusters; the other involves the particular circumstances of developing countries, consisting of an initial state of relatively low levels of urbanization, restricted modern sectors, and unevenly developed infrastructure. When these countries are confronted with national policies favoring rapid industrial development, the result is the appearance of one or a small number of hyper-large urban regions.

The social and environmental problems engendered by this process of urbanization are often more pronounced than in the developed countries, all the while sharing certain of their basic features. Even with spatial concentration of infrastructure as a strategy to generate rapidly and cheaply the conditions of modern industrial development, infrastructural conditions in these city-regions are

frequently far from adequate. Transportation, sanitation, housing, and water systems are generally unevenly distributed in metropolitan space, and severe shortages are common. Indeed, there are often such great discrepancies between social need and economically-feasible supply that one can speak of veritable crisis conditions in many such cities. To this must be added an understanding of social and economic power in many developing nations. Poor, disenfranchised rural populations are often pushed off the land by unjust economic policies, by physical violence, or by the monopolization of land resources by the rich. They end up in cities, where again they are subject to the economic and social turmoil involved in becoming part of the urban subproletariat.

In developing countries it is even more difficult to resolve the problems and predicaments of global city-regions than in developed countries. In the first place, even though these regions are often far richer than the rest of the national territories in which they are located, they also invariably contain populations marked by huge economic disparities. In the absence of progressive income redistribution policies, it becomes effectively impossible to finance needed improvements in infrastructure and services. In the second place, precisely because there is a limited number of city-regions that can function as basing-points for the most modern parts of the economy, and as points of contact with the global economy, there is usually a diminished tendency to spatial dispersion of population and economic activity so that relaxation of the pressures on these centers is unlikely to occur. For example, even though the São Paulo metropolitan area accounts for a smaller share of national economic output in Brazil today than in 1970 (45% as opposed to 65%), it continues to grow and spread in absolute terms at a rate that makes it quite difficult for infrastructure supply to catch up to demand. This experience contrasts with that of many developed countries, where smaller city-regions often absorb enough of national growth at a certain point to flatten the urban hierarchy (in relative terms), and to reduce

pressures on the biggest city-regions. Most developing countries, therefore, remain trapped within a cycle of mega-city growth.

Because of the nature of development processes based on rapid industrialization and high levels of internal population migration, the populations of global city-regions in developing economies are almost always highly segmented in terms of social class, income and sometimes, racial, terms. These city-regions then assume spatial forms that reflect this social segmentation, as reflected above all in the segregation of rich and poor. At one extreme, one finds massive poor communities living in shanty-towns, *favelas* and *bidonvilles*, and at the other the more spacious and well-equipped communities of the middle-classes and the rich. In many such global city-regions, there are complex social frictions having to do with the combination of segregation, inequality and proximity. Violence, or the fear of it, becomes a central preoccupation of the upper classes, pushing them toward forms of fortress settlements, gated high-rise communities surrounded by walls and guarded entries. This architecture of fear only exacerbates the fragmented character of urban space, and generates additional problems for infrastructure provision, as the rich attempt to secede socially and politically from the space of the urban community as a whole.

Recently, the global city-regions of many developing countries have been affected by a double economic trend. There are first of all certain tendencies for the movement of economic activities outward from their metropolitan cores and into exurban fringe areas; second of all, there is a limited tendency in some countries for the migration of routine productive activities to smaller towns, i.e., activities that have become less dependent on the advanced services and inputs only found in the largest urban areas. But, as already noted, these tendencies are far from being strong enough to stem the growth of large cities in the national economy or to reduce the enormous pressure on infrastructure and

services in the major city-regions.

Continuing economic globalization has greatly reinforced the attractiveness of global city-regions in developing countries for major national and transnational firms. In many countries, firms that used to produce primarily for the national market are finding themselves faced with the effects of trade liberalization and the dismantling of national policies that provided protection and incentives. The concomitant requirement that they sell more of their output on global markets, and compete against imports, makes many of them more dependent on the advanced production conditions available only in global city-regions. Hence, globalization, liberalization and – in some cases – privatization of formerly-nationalized industries, may reinforce the economic attractiveness of the main city-regions and exacerbate the developmental problems referred to above. In addition, many countries are now abandoning regional policies that aimed at encouraging decentralization within the national territory, and they are doing so either for budgetary reasons or because they are redefining the goals of economic policy away from the protection of national markets and toward the promotion of export-orientation of their industrial and service sectors. In some cases, this has unleashed interregional bidding wars for new investments, so that even though advanced activities go increasingly to the main city-regions, other regions now pay dearly -- often to multinational corporations -- for such investment as they can attract, further weakening national and local fiscal capacities to provide public goods which are sorely needed to compete more effectively in the new, globally competitive economy.

Many of the current attempts in developing countries to deal with the problems of their city-regions are based on policy frameworks that are likely to be inadequate, or that are imported from developed countries into contexts so fundamentally different that their outcomes are often perverse. For example, experiments in privatizing urban services have been suggested or attempted in a number of



places. But privatization in a context where basic universal service and infrastructure provision have not yet been attained is likely to aggravate classical market failures, while leading to improved services only for those who already have them. Tradable rights in certain services (e.g. rights to re-sell water) are likely to have some short-term efficiency improving effects, but will do little to ensure the extension of infrastructure to the population that does not yet have it. Decentralization of taxing and infrastructure- and service-building authority is likely to enable the richer regions to devote more of their resources to their own problems, assuming that they have effective management systems for doing so, but it could result in even greater inter-regional disparities within the national territory. Political decentralization, involving the participation of NGOs and community associations may be helpful in achieving somewhat greater democratic voice and in mobilizing certain kinds of disenfranchised populations, but it is difficult to imagine it resolving the extreme gaps between rich and poor and supplanting the role of transparent, universal democratic processes in articulating needs and rights in urban governance. Fundamentally, many such reforms appear most useful in societies that have already attained a relatively advanced level of economic and social development, where certain public goods, levels of education and health, skills, literacy, and participation have already been achieved, and where the question is now how to make governance of complex systems work better.

Global city-regions in developing countries represent the best and the worst of the development process. They are places where highly productive and innovative economies are often in evidence, but they are also places where the multifaceted market failures, historical imbalances, and brutal power relations of the development process are painfully in evidence. Large cities in developing countries thus constitute a particularly problematical variant of the phenomenon of global city-regions in general. That said, and despite the desperate social conditions that are commonly found in the large cities of these

countries, economic development in one way or another is probably more likely to be achieved in combination with large-scale urbanization than in its absence.

### Democracy, Citizenship, and Global City-Regions

Modern thinking about democracy developed alongside the expansion of the territorial state in Europe from the sixteenth century on. Actual practice, of course, had older roots in some of the cities of ancient Greece and in the late-medieval resurgence of civic republicanism in the Italian city-states. But by the nineteenth century in Europe and elsewhere the fate of democracy was increasingly tied to that of the territorial state. Indeed, the right to national self-determination has become one of the primary measures of democratic practice, enshrined in the Charter of the United Nations. States, of course, have traditionally been the key referent of the political; a whole range of ideals and the practices built up around them -- citizenship, obligation, general authority, rights, political representation, and so on -- have been tightly associated with the achievement of statehood. Key debates in political theory and jurisprudence reflect the close ties of these ideals and practices to the history of states and the political struggles that have occurred in order to establish and control distinctive, bordered territories. For example, the roles of obligation and dissent are defined almost entirely in terms of loyalty to specific states and their institutions; debates about the optimum size of community for democracy are always conducted in terms of various territorial entities; and social groups conceived of as capable of self-rule are typically defined in terms of geographical contiguity or adjacency (Agnew, 1995).

The authority of even the most powerful territorial states today, however, is being redefined in relation to a world economy that is no longer a sum of distinct national economies in highly controlled interaction, but is rather based on economic, social, cultural and informational flows that straddle the

boundary-making and territory-protecting activities of states. In this context, it is increasingly difficult to think about essential political concepts such as democracy and citizenship as being exclusively attached to the unified territorial unit of the nation state. The emerging world of global city-regions poses two particular problems given conventional understandings of democracy and citizenship. The first is that city-regions do not always fit neatly within existing state boundaries. In contemporary Europe, for example, urban spheres of influence frequently and increasingly flow across international boundaries. Second, the city or region itself potentially becomes the object of primary loyalty and membership rather than the state in which it is located, a transformation that would seem to be already under way in varying degree in such countries as Canada, Germany, or Italy. With economic life and social existence increasingly tied to the fate of the city and its region rather than to the state, some aspects of citizenship may begin to become associated once more, as they were in earlier historical periods, with city-regions and not with states.

The latter point has a number of important implications. One is that residence in a city-region and not just official state citizenship now becomes a significant basis for political activity. For example, in many cities with substantial immigrant populations, there are now serious proposals on foot to allow immigrants the vote in local elections, and this has extensive reformist possibilities. Another is that with increases in the exchange of people, goods and capital between city-regions all over the world, these multiple flows will not be effectively regulated at the local level. Thus, at the very time when city-regions are facing ever-greater burdens of economic, social and fiscal responsibility, they are also being faced with forces they cannot hope to control. Consequently, effective governance in the new world system would also entail the creation of supranational and global levels of inter-regional regulation, and for this, new forms of political organization will be needed. In the absence of complementary structures of

regulation at higher levels of political authority, then, the current devolution of power from states to city-regions can in some ways only aggravate the democratic deficit in the current world of territorial states attempting to control increasingly diffuse networks of economic power (Held 1991).

The achievement of multi-level democratic governance faces two crucial barriers. The first is the continuing conflation of citizenship with nationality. The second is that powerful states have been the main advocates of globalization. The US government, for example, through its sponsorship of the World Trade Organization and financial liberalization has been the most important enabling agent of economic globalization. It can thus scarcely be expected to endorse political reforms that essentially undermine its power, unless the course of globalization deepens so much that a reassertion of state power becomes next to impossible. Today, we are still quite far from that possibility.

#### Ideological and Political Challenges in the New World System

The world system appears to be moving into an economic and political configuration quite different from the old center-periphery model of international development, where whole states were on one or the other side of the great development divide. The profound changes that have been occurring on the economic front are increasingly giving rise to diverse institutional and political responses and experiments in coordination at different geographic levels from the global to the local. The political and institutional shifts going on at each territorial scale are poorly understood, but the scale that is represented by the emerging global mosaic of city-regions is certainly one of the most puzzling. Precisely because these city-regions constitute the basic motors of a rapidly globalizing economy, much is at stake as they steadily sharpen their political identities and institutional presence.

As the complex trends alluded to in these pages become more and more apparent, a further

question arises as to what macro-political or ideological formations are best suited to define institution-building and policy-making efforts in the coming decades. Giddens (1998) has forcefully argued that two main sets of political principles appear to be moving toward a major contest for dominance. One of these is a currently dominant neoliberal view — a view that prescribes minimal government interference in and maximum market organization of economic relations (and that is sometimes but erroneously taken to be a virtually inescapable counterpart of globalization). In view of what we have written above, neoliberalism, certainly in the version that crudely advocates *laissez-faire* as a universal panacea for economic problems, would seem to offer a seriously deficient political vision, notwithstanding the current expansion (in some quarters at least) of the global casino economy. The other is a new social democratic or social market perspective, which, especially in Western Europe, has enjoyed notable electoral success of late. On the economic front, social democratic approaches are prepared to acknowledge and to work with the efficiency-seeking properties of markets where these are consistent with standards of social fairness and long-term economic well-being, but to advocate selective intervention where they are not. As such, a social democratic politics would seem to be well armed to face up to the tasks of building the political infrastructures and enabling conditions (at every territorial scale) that are each day becoming more critical to high levels of economic performance and social stability as the new world system comes increasingly into focus. At the city-region scale, in particular, and to repeat, these tasks can be centrally identified with the compelling need to promote those local levels of efficiency, productivity, competitiveness, and social fairness that markets alone can never fully secure. At the same time, the question of local democratic practice -- how to define the substantive content of citizenship in these complex multicultural city-regions and how to establish appropriate forums of popular participation within them -- is inescapably joined to the more technocratic issues raised by

the challenges of economic coordination in global city-regions (Ascher, 1998).

Globalization has potentially both a dark, regressive side and a more hopeful, progressive side. If the analysis presented here turns out to be broadly correct, then those views that have been expressed of late by some commentators to the effect that any deepening trend to globalization must constitute a retrograde step for the masses of humanity can be taken as a salutary warning about a possible future world, but by no means as a representation of all possible future worlds. Globalization under the aegis of a triumphant neoliberalism would no doubt lead to greatly increased social inequalities and tensions within city-regions and exacerbate the discrepancies in growth rates and developmental potentials between them. Alternative and realistic possibilities can be plausibly advanced, however, as indicated above, and some form of reconstructed social democratic politics would seem to offer a viable, fair, and persuasive way of facing up to these questions.

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