

THE CENTURY OF GLOBAL CITIES

HOW URBANISATION IS CHANGING THE WORLD
AND SHAPING OUR FUTURE

edited by **Andrea Tobia Zevi**



ISPI

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Introduction

Think tanks and research centres worldwide are devoting increasing attention to the growing role of global cities. Why do global cities matter? And why should a think tank dealing with international affairs such as ISPI look at the evolving role of global cities? The obvious answer is: because cities do matter. Urban settings cover barely 2% of the Earth's surface, yet they host over half of the global population. In the coming decades, the number of mega-cities in Asia and Africa will grow dramatically, and this represents a huge challenge in terms of social and environmental sustainability. As urbanisation increases at a steady pace, cities are where most of the world's GDP, greenhouse gas (GHG) emissions, and waste are produced. *Global* cities, metropolises acting as key hubs in global economic and political networks, matter even more.

A growing number of phenomena requiring international coordination and response are closely related to developments at the city level. Cities tend to be the places that are most impacted by issues such as climate change and migration. Given their size and political and economic relevance, cities are also the actors that affect these phenomena the most, for better or for worse: what happens in cities has repercussions at the national and international level. Besides, cities are testing grounds for most policy innovations, which can then spread to higher levels of government, thus shaping present and future developments of internationally-relevant phenomena. At the same time, they are stages for political experiments and trends that

often spill over into other cities and countries. To use a medical analogy: global cities are the patient, the disease, the treatment, and the laboratory, all at once.

As a result, the international community decided to devote to cities a specific Goal within the Sustainable Development Agenda approved at the end of 2015: “Make cities and human settlements inclusive, safe, resilient and sustainable” (Goal no. 11). We should not take this for granted, since cities were not considered in the previous international targets, which were set at the beginning of the century. Some prominent global cities, starting with New York City (and now Buenos Aires, Durban, Helsinki, Kitakyshu, Los Angeles, Medellin, Pittsburgh, Rio de Janeiro, and others), are already moving forward. They “replace” states in implementing the Agenda and tackling the problems: through their “Voluntary Local Review”, which is supposed to mirror the National Review that each nation should release every year, they testify their strong commitment to addressing the major challenges of our era.

This correlation between global phenomena and developments at the city level is crystal clear in three major fields. First, global cities matter for international economy. A country’s economic power is increasingly linked to the power of its cities – especially the largest ones. At the same time, to grow stronger cities need constant investment in infrastructure, and this in turn requires economic growth. This virtuous circle can either be kick-started at the city level, or stop there. As cities boost trade and tourism, they also offer a “window” on local culture, hence bolstering not only the “hard power” of a country, but also its “soft power” on the world stage.

Second, global cities matter for climate change. Cities are the places that are most affected by climate change, in particular by rising sea levels or extreme weather conditions (such as heat waves or cold snaps). They produce the largest share of GHG emissions, but the economies of scale cities offer have the potential to limit such emissions over the longer term. Solutions devised by city managers can be at the cutting edge

of technological development, opening up new pathways for mitigating climate change or adapting to it.

Third, global cities matter for international migration. Internal and international migrants flock to cities, so the lack of international rules governing migration affects cities the most. At the same time, many cities' tendencies to confine newcomers to their peripheries can heighten the migrants' sense of exclusion, which can further complicate their integration in host countries. Yet cities also serve as laboratories for inclusion, as shown by US "sanctuary cities", in which foreigners have managed to thrive despite a more hostile broader environment.

This Report investigates these and other fields where dynamics at the city level ripple through the international level and vice versa. It also shows how global cities are often taking over responsibilities on behalf of their national governments, addressing challenges autonomously or even in opposition to national decisions. This is a crucial development, but it is a double-edged sword, because as cities act more independently, governments may find it harder to regulate and sanction "rogue" behaviour.

A few years ago, New York-based scholar Benjamin Barber suggested that "mayors should rule the world". More modestly, global cities and their managers should be seen as pragmatic and accountable "solution providers". In this respect, it is reasonable to expect that cities and their networks will claim a more central role in the future as they become willing to influence the political process of decision-making within the international community. In one word, they will try to get a "seat at the table". This looks like an interesting development and a great opportunity for the future.

1. Why Global Cities?*

Saskia Sassen

The 1980s marks a very specific economic transformation in major western cities. It was, in many ways, the beginning of a new era, one that saw digitisation as having the capacity to launch foundational transformations. One key transformation many experts asserted would be decisive, was that cities would no longer matter for the advanced economy. Cities might still matter for people who wanted to go to the theater and such, but they would not matter much for the advanced economy. There was great conviction that powerful firms, global firms, and such would no longer need cities given the digital revolution.

This turned out to be mostly wrong. Cities have become even more important, and this is especially so for the most advanced and digitally enabled/connected sectors. Why? Because time began to matter even more – fractions of seconds mattered. And they mattered precisely because of the digital revolution: now competition was everywhere, accessing the latest innovations could be executed by anyone, and so on.

How could such smart high level professionals get it so wrong – both the developers of digitisation and the high-level users of digitisation. And why do distance and time matter even more now for the most digitised sectors?

These became some of the several key questions that led me to go digging, to understand, to discover so to say, the actual conditions and needs of digitised sectors.

* This opening chapter collects abstract and builds upon the paper of the author: “The global city: Enabling Economic Intermediation and Bearing Its Costs”.

Discovering the Global City

Contesting the widespread notion in the 1980s that place no longer mattered to highly digitised economic sectors turned out to be the first step towards conceptualising the Global City function¹. It became an effort to detect a new, somewhat elusive formation deep inside major cities. And the Global City Function included only some of the most advanced sectors of major cities. It did not include every single resident of a global city.

Then came 8 years of endless data analyses and exciting field-work. My basic mode was discovery, not replication. What was the combination of elements that might produce this ironic outcome: the fact that the most powerful, rich, and digitised economic actors needed “central places”, and perhaps more than ever before? Large corporate firms engaged in routinised production did not really need to be located in cities – they could locate anywhere. What these types of firms needed if they went global was access to a whole new mix of complex specialised services almost impossible to produce in-house (as had been the way of doing things for many big firms after World War 2 especially).

A second hypothesis that was stronger than I expected was that this new economic logic, partial as it was, would generate high-level jobs and low-wage jobs; it would need far fewer middle-range jobs than traditional corporations. But those low-level jobs, whether in the office or in households, were going to matter more than one might imagine. I described them as the work of maintaining a strategic infrastructure. And this strategic infrastructure includes the family or home life of top level personnel. Everything needs to work fine, because this top level personnel could not have family crisis, children crisis... none of that.

¹ S. Sassen, “The Global City: Introducing a concept”, *The Brown Journal of World Affairs*, Volume XI, Issue 2, 2005, p.28.

Intermediation: From Minor Sideshow to Key Logic of the Global City

A key hypothesis I arrived at early on in my research was something I named “intermediation”. I posited that intermediation was an increasingly strategic and systemically necessary function for the global economy that took off in the 1980s². This in turn led me to generate the hypothesis about a need for specific types of spaces: spaces for the making of intermediate instruments, form of knowledge, and capabilities. One such strategic space concerned the instruments (legal, of talent and knowledge, of transport, of where to locate the factories off-shore, etc) needed for outsourcing jobs, something I had examined in my first book (*The Mobility of Labor and Capital*).

But what began to emerge in the 1980s was on a completely different scale of complexity and diversity of economic sectors: it brought with it the making of a new type of city formation. I called it the Global City – an extreme space for the production and/or implementation of very diverse and very complex intermediate capabilities. This did not refer to the whole city. I posited that the Global City was a production function inserted in complex existing cities, albeit a function with a vast shadow effect over a city’s larger space.

In that earlier period of the 1980s, the most famous cases that made visible the ascendance of intermediate functions were the big mergers and acquisitions. What stood out to the careful observer was how rarely the intermediaries lost. The financiers, lawyers, accountants, credit rating agencies, and more, made their money even when the new mega-firm they helped make eventually failed. Finance became the mother of all intermediate sectors, with firms such as Goldman Sachs and JP Morgan making enormous profits, followed at a distance by the specialised lawyers and accountants.

² See S. Sassen, *The Global City*, Princeton, NJ, Princeton University Press, 1991, updated edition 2001; Id., *Cities in a World Economy*, London, Sage, 2012; and S. Sassen-Koob, “Recomposition and Peripheralization at the Core”, *Contemporary Marxism Social Justice/Global Option*, vol. 5, 1982, pp. 88-100.

From the early phase dominated by mergers and acquisitions, intermediation has spread to a growing number of sectors. This also included modest or straightforward sectors: For instance, most flower sellers or coffee shops are now parts of chains, they only do the selling of the flowers or the coffee, and it is headquarters that do the accounting, lawyering, acquisition of basic inputs, etc. Once, those smaller shops took care of the whole range of items; they were a modest knowledge space. Intermediation can now be thought of as a variable that at one end facilitates the globalising of firms and markets and at the other end brings into its envelope very modest consumer oriented firms.

It also contributes to explaining the expansion in the number of global cities and their enormous diversity: each major global city has specific knowledge cultures that tend to come from a deep local history.

Making and Inventing Intermediate Functions

A major concern for me was to capture the fact that intermediate functions needed to be produced, developed, refined, mixed with other types of instruments, and so on. In its narrowest sense, then, I conceived of the Global City function as a space of production: a Silicon Valley for advanced services, inventing new modes of producing wealth (notably by completely re-inventing high finance).

Finance could not have become as complex and innovative (to put it kindly) if it had not had a network of global cities. Each major city has had a history of inventing economic/financial instruments. Chicago's was very different from New York's. And I would argue that Shanghai's is very different from Beijing's, and so on.

Eventually, I expanded the category to incorporate a diversity of meanings, including the instruments needed by counter-systemic actors to operate in complex global settings – from environmental to human rights activists. And I began to include

conventional actors such as museums engaging in international exchanges often for the first time because now they had access to a range of complex legal, accounting, and insurance instruments. It also enabled a massive scale up of irregular actors, from traffickers in drugs and people to an irregular market for armaments.

As a space of production, the Global City generates extreme needs. These include state of the art infrastructures that almost inevitably go well beyond the standards for the larger home cities; thus, for instance, the financial centres in New York and London in the 1990s had to develop types of digital infrastructure that were on a completely different level from most of the rest of the city. Further, the Global City generates a sharp rise in the demand for both high-level talent and masses of low-wage workers. What it needs least are the traditional modest middle classes so central to the era when mass consumption was the dominant logic; larger cities with more routinised economies do continue to need them. Finally, as the global economy globalised, this Global City function spread to more and more cities: it was a sort of frontier space enabling global corporate actors to enter national economies.

What started as a hypothesis and then became a researched fact is that such instruments for intermediation are a marking feature of the type of global economy that emerged in the 1980s and had developed its global reach by the late 1990s. Today intermediation is a major, and much needed factor. This, then, also explains the rapid increase in the number of global cities during the 1990s and onwards. Today, we can identify about 100 plus global cities. And each one has specific specialised capabilities.

Again Shanghai, Nanjing, Wuhan, and Beijing are sufficiently different, with sufficiently specialised knowledges that partly come from their long histories, that competition is not the major issue. Their diverse power to shape a major global trend, the capacity to develop/invent new instruments, and so on, in good part arises, comes out of their older deep economic histories.

I always want to tell mayors that they should never forget the fact that the deep economic history of place is what makes them different, special, and leaders in one or another domain. They compete far less with each other than much of the talking and newspaper writing would suggest. Their old histories are partly in play in those domains where they stand out, where they are the strongest. And it is often those older specific, often highly specialised knowledge domains, that gives them strength today.

Invisible but Important

Finally, and critical to the whole project was what I refer to as the *infrastructure* to ensure maximum performance by high-income talent – the broad range of conditions enabling their work-lives. This aspect is never really mentioned.

Prominently included in my analysis was a range of lowly rewarded tasks, from low-level office tasks to low-wage household work. I argued that in many regards the homes of top-level staff in the Global City are an extension of the corporate platform. To get such tasks out of the easy language of “low-wage jobs”, I described these tasks as the work of “maintaining a strategic infrastructure”. And, very important to my analysis but never mentioned in any analyses of the global city, is the fact that the households of top-level workers are strategic sites in the larger set up. Everything has to function like clockwork, with no little crises.

This interpretive move also fed into the notion of the Global City as a very specific space of production, and one enabling the organising of its low-wage workers, such as janitors and household workers, precisely because it was about the maintenance of a strategic space. History bore this analysis out when it was janitors in major cities in the United States and Europe who managed to organise a janitors union. Some years later, it was domestic workers who succeeded in creating a union in high-income neighbourhoods – while they had failed to organise in

middle class neighbourhoods, where families either could not afford to hire an outside household worker, or did not want to “waste” their money. In contrast, in the high-level homes of top professionals, enabling/maximising the intelligence and peace of mind was critical – so yes, they are expected to hire outside cleaners and cooks and baby sitters, and people who come and water all the plants, and more.

In my reading at the time (and today), the particular types of spaces where these jobs were being executed mattered. This underlines the notion that the homes of these high-level workers matter. And, thus, the need for a workforce in charge of maintaining this strategic infrastructure – that is, the homes of these high level workers). The same tasks in a typical suburban mid-level household would not have enabled the low-wage workers doing those tasks to organise as they did in the top level households. In short, the jobs could not be flattened into the tasks involved.

The Global City

To conclude, let me add a few final elements.

The Global City function is *made*, and that process of making is complex and multi-faceted: it needs to factor in laws, accounting practices, logistics, and a broad range of other components, such as the existence of diverse cultures of investment depending on the country and the sector.

This process of making could not take place simply in a firm or a laboratory situation. It had to be centred at the intersection of different types of emergent global economic circuits with distinct contents, all of which cut across economic and cultural strengths of a given city or region. It needs a space where professionals and executives coming from diverse countries and knowledge cultures wind up picking up knowledge bits from each other even if they did not intend to do so. And, not often understood, an important but overlooked fact is that even minor global cities have invented new instruments and built new

markets, often based on a single commodity – that is, based on what they have long known how to do.

I see in this mix of processes the making of a distinctive “urban knowledge capital”. I mean by this a kind of capital that could only be made via a mix of conditions, among which was the city itself with its diverse knowledge and experiential vectors. I saw this both in its broad sense (all the knowledge-making institutions, individuals, experimental moves), and in the narrower sense of the Global City function. The latter is marked by highly specialised and dedicated knowledge systems that need each other, even if only bits of each other’s knowledge strengths). Out of this then came my hypothesis that particular types of cities would become highly desirable sites for ensuring the production and supply of extraordinary combinations of knowledge components.