



THE ROLE OF GLOBAL CITIES IN THE WORLD ECONOMY

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Abstract: The article is devoted to the problem of discovering the role of global cities in the world economy. The author presents economic and social studies from cities in thirteen countries. The purpose of the research is to outline the role played by global cities in the world economy based on their own development and prosperity. Methodology of the research is founded on exploring preconditions of the global city formation, as well as prospects provided by large-scale cities in order to investigate relations between global cities, national societies and world economy. Correspondingly, top global cities have been identified, including New York, London, Tokyo, Paris, Singapore and Hong Kong. As the study demonstrated, the functioning of global cities result in positive and negative externalities for the residents, local communities and businesses. This article provides a unique and vital contribution to ongoing discussions about the significance of global cities beyond national economies highlighting the universalized assumptions concerning the position of large-scale cities in the world economy.

Keywords: global city, world economy, national economies, ranking, international affairs, globalization, city formation, New York, London, Tokyo, Singapore, Hong Kong, local community.

Introduction

Since the 1970s, the collapse of the Bretton Woods system of more isolated states and the oil shocks have marked the increasing integration of national economies into a new international division of labor. This process has led to the growth of centralized management nodes, the deindustrialization of large, old manufacturing cities of the advanced economies, the rise of new dimensions of high-technology industry and spatial dispersion of production of goods and services. However, manufacturing is scattered all over the world, while the services sector is increasingly concentrated in global cities. Rapid changes in telecommunications, computer, and transport technology have accelerated these tendencies.

Nowadays most of the world's capacity for economic growth is centered in its metro areas. Global cities and their surrounding metropolitan territories are the real economic engines of the XXI century. Bringing together talented, smart and ambitious people and the assets they need to be successful, global cities boost the innovations that stimulate long-term prosperity. Key features which shape the economic growth of such cities are concentration and clustering stand alongside labor, land, and capital.

On the other hand, as the economy continues to globalize, large-scale cities, especially in the advanced societies, also attract many migrants seeking economic and social opportunities. These remarkable changes produce new and more complex forms of urban inequality. While global cities are full of people who benefit considerably from the new global economic order, many residents are hurt by economic restructuring or excluded from its benefits.

Being closely linked to economic development, globally integrated cities create an environment that initiates, attracts and maintains ideas, businesses, human and financial resources, which can generate benefits reaching far beyond urban boundaries.

Problem formulation

A valuable contribution to the formation of the global city concept has been done by Patrick Geddes (1915) and Saskia Sassen (1991), who interpret the term "global city" revealing and analyzing its nature and characteristic features. Allen John Scott (2002) attempts to define the question of global city-regions and to describe the internal and external dynamics that shape them, emphasizing a number of the harsh social problems that confront global city-regions. In their work on relationships between cinema, architecture, and urbanism in global cities, Linda Krause and Patrice Petro (2003) draw their attention to the implications of

global culture as well as to the psychic and social consequences of globalization. While Engin F. Isin (2013) highlights changing role of citizens as members of nation-states and the issue of accountability in a global society.

Consequently, most scientists discover global cities in terms of social, cultural and urban impacts. However, it is impossible to study this phenomenon only from a sociological perspective or an urban perspective because it requires an understanding of some other aspects as global cities are a part of the entire society. It is therefore of particular interest are currently no regions or states but cities that have global significance not only in the country or region, but also affect the planetary economy, politics and international relations. Understanding how urban processes locate in the world territories requires new concepts and researches. Hence, it is hypothesized that global city economies may play a dominant role in both their overall national economies and the international arena.

This study aims to outline the role played by global cities in the world economy based on their own development and prosperity.

Methodology of the study demands research practices that negotiate the intersection of geography, macroanalysis and international affairs. In the first stage of the research preconditions of the global city formation and functioning in the world space have been identified with help of investigating media publications; other studies carried out by international companies and institutes. Then the top global cities rankings have been explored by means of comparative analysis in order to observe the positioning of these cities in the global market and discovering the opportunities they provide for their residents, the local community, as well as domestic and foreign businesses. Such analysis also helped to find out the most attractive cities in terms of the worldwide economic, political, social and cultural development. Finally, the work focused on positive and negative outcomes of global cities with the purpose of determining links between large-scale metro areas, national societies and the world economy.

Findings

In today's world the formation of information society with improved social infrastructure, the active development of technological capacity, and the concentration of information and financial flows is causing the emergence of a global economy in metropolitan areas. The share of the world's population that lives in cities has grown from less than a third in the middle of the XX century to more than a half in the XXI century. It is expected that by 2050, two-thirds of all people on the planet will live in cities. Interestingly, that currently, across the globe, urban areas with populations over one million account for more than a half of the world's economic output and nine of every ten innovations, while housing roughly one out of every five people (Florida, 2011). It means that significant macro-economic forces, demographic, social and technological tendencies, which do not respect political and geographical boundaries, are shaping the way the world exists nowadays.

Cities are not created all equal. Economic resources, physical assets and spaces used to manufacture and spread new products are often concentrated in a few large cities called global. A "global city" is a relatively new phenomenon compared to a "world city". Global cities have always been centers of commerce and finance, innovation, culture and creativity, national and international political power and geopolitical hubs. Growth of population, production, technology and urbanization are creating a new environment for developing purposeful global cities. These cities should not be deemed as bounded entities which function in a relatively independent and self-sufficient surroundings. Global cities are constitutive of a compound and multi-scaled space. They can run the world economy, set the world agenda and shape the global culture.

Hence, the world economy at present is viewed through cities rather than states. In this argument global cities are the aggregate of processes that link the world economy and local communities. Intensity of such interrelationships varies significantly from one global city to another. Such situation is caused by a few reasons:

1) concentration of urban processes around the global cities, and then primarily in a few major sectors, representing the most important inter-regional or international transport corridors: around London, for instance, towards the east, west and north;

2) emergence of specific areas discontinuous corridors or axes of urbanization: for instance, most notably so-called "Blue Banana", Europe's industrial heartland, with a population of around 111 million (Schmidt, 2015), connecting Birmingham, London, Brussels, Amsterdam, Frankfurt, Zurich, and Milan. It covers one of the world's highest concentrations of money, people and industry.

However, all global cities integrate into the world economy by leaps and bounds regardless the level of economic development which varies widely across metropolitan areas.

Today global cities are the foundation of world economic and political system. Global cities are at the head of the planetary hierarchy of an economic pyramid managing global financial flows. Such advantages of global cities as their developed infrastructure, accessibility of services, as well as favorable transportation, political and economic position are actively used by transnational corporations (TNCs) and multinational corporations (MNCs). Consequently, TNCs and MNCs have a significant impact on all world processes creating conditions for globalization of functions of a city. Ample opportunities for transnational administration and mediation functions between politics and business form a favorable investment climate in global cities. Functions and capabilities of global cities go beyond the geographic scope, acquire a certain independence from the political leadership. The global city becomes a leader in the global political system compared with the state.

Therefore, it is worth noting that field of power and influence, which includes headquarters of multinational and transnational corporations, national governments, supranational organizations, e.g. the United Nations, is one of four key groups of advanced services widespread in global cities, alongside finance and business services (commercial business services, banking, insurance), tourism sector (accommodation, hospitality, entertainment, transportation services) and cultural and creative industries (concerts, exhibition, media etc.).

These days' global cities represent a very attractive object for study not only by scientists, but also by various international research companies, which create an overall ranking of global cities based on their performance in different areas of the world economy.

A global management consulting firm A.T. Kearney holds a research regarding top global cities. This company explores a comprehensive list of 84 cities on every continent with help of so called Global Cities Index (GCI), measuring how cities can become more global and how globally they are engaged in five dimensions: business activity, human capital, information exchange, cultural experience, and political engagement.

According to this Index, New York has been ranked number 1 and London number 2, respectively, for over 6 years (see Table 1), although both of them are quintessential creative, financial and knowledge-based economies.

Table 1

Top-10 Global Cities of the World, 2014

City	2014	2012	2010	2008
New York	1	1	1	1
London	2	2	2	2
Paris	3	3	4	3
Tokyo	4	4	3	4
Hong Kong	5	5	5	5
Los Angeles	6	6	7	6
Chicago	7	7	6	8
Beijing	8	14	15	12
Singapore	9	11	8	7
Washington	10	10	13	11

Source: Kearney, 2014, p. 2

Such ranking helps to observe and characterize the following trends:

1. The top positions are stable and difficult to break into: as table above shows, the top positions have been filled by the same cities (New York, London, Paris, Tokyo, Hong Kong, Los Angeles, Chicago) since 2008, when the study began.

2. Strong business activity, especially coupled with powerful politics: the four highest-ranking cities are among the top 10 in business activity and political engagement.

3. Human capital is becoming more equally distributed among global cities compared with other ones: as people are interested in global cities more due to work-related opportunities, a higher standard of living and quality of life on the whole.

4. Cities are becoming more global: the score for cities have increased by 8% on average since 2008.

On the other hand, The Mori Memorial Foundation's Institute for Urban Strategies, using its Global Power City Index (GPCI) since 2008, evaluates and ranks global cities according to their comprehensive power which allows them to attract creative individuals and business enterprises from every continent and to mobilize their assets in securing economic, social and environmental development (2014, p. 1). The Institute

has investigated 40 global cities, and their global all-embracing power has been evaluated in accordance with six major functions representing city strength: economy, research and development (R&D), cultural interaction, livability, environment and accessibility, and the viewpoints of four global actors – manager, researcher, artist and visitor, as well as one local actor – resident, which means how totality of relevant and representative factors of their citizens, who might lead the urban activities in their cities, provides an all-encompassing view of the cities.

Accordingly, London and New York swapped places in this ranking: London retains its place at the top of the ranking followed by New York (Figure 1).

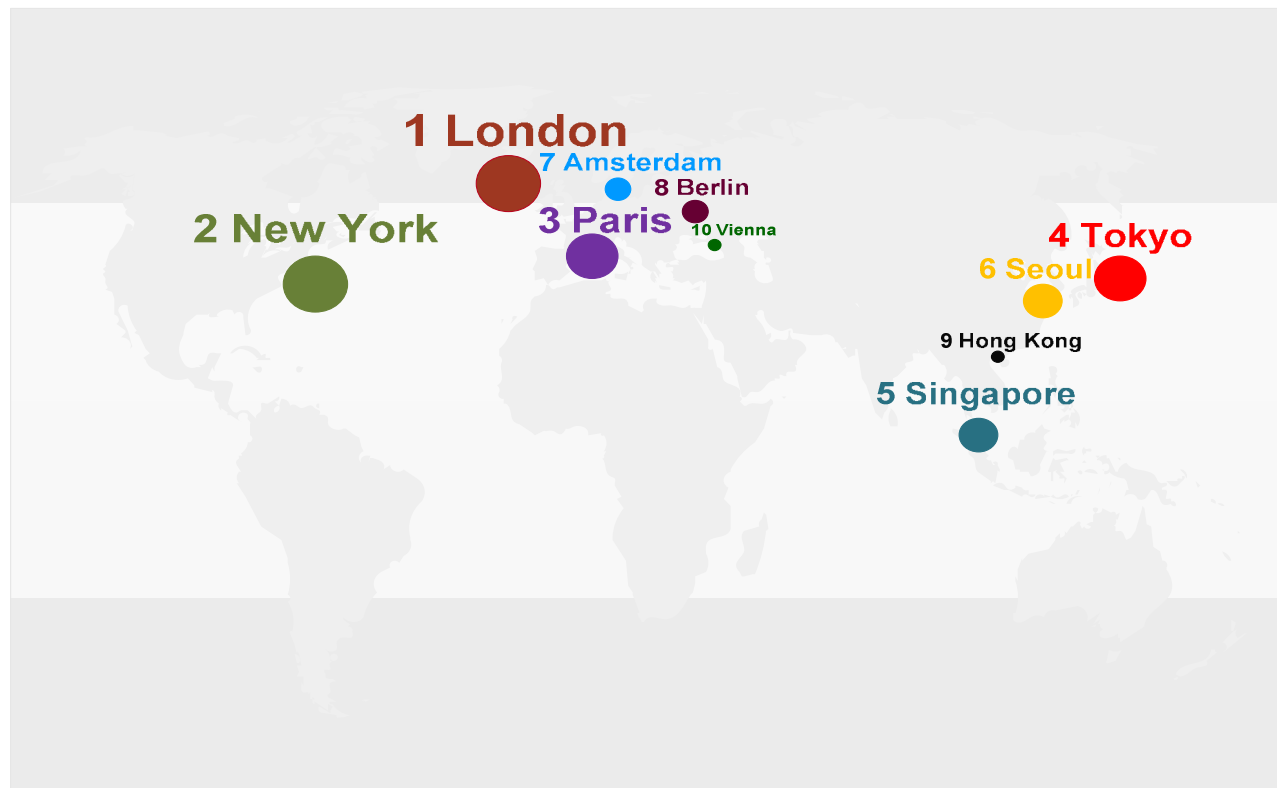


Fig. 1. Top Global Cities according to GPCI, 2014

Above-mentioned criteria allowed to identify the position of each city in accordance with every indicator.

Table 2

Positioning of Cities in the Global Market, 2014

City	Economy	R&D	Cultural interaction	Livability	Environment	Accessibility
London	4	3	1	21	7	1
New York	2	1	2	29	25	7
Paris	12	7	3	1	16	2
Tokyo	1	2	6	17	9	10
Singapore	6	8	4	37	5	8
Seoul	11	6	12	23	11	5
Amsterdam	18	23	15	8	13	3
Berlin	19	16	5	3	10	17
Hong Kong	5	12	26	34	19	6
Vienna	27	25	8	4	6	20

Actor-specific ranking is not reflected in the table as it has its own ordering which needs extra analysis, and this is not the objective of this article.

Table 3

The 10 Cities with the Most Opportunities, 2014

Position in the overall ranking	City	Key features
1	London	<ul style="list-style-type: none"> – it is the first city in technology readiness, city gateway, and economic clout; – it hosts the headquarters of 68 companies; – it is developing its tech sector, especially in health technology; – it contains 6 international airports and high-speed Eurostar train; – London has more billionaires than any other city; – majority of foreign investors are interested in living and business occupancy in here.
2	New York	<ul style="list-style-type: none"> – it is the second-most-desired city for relocation, and it is in the top three for ease of doing business and for economic clout; – it contains the two biggest stock exchanges in the world - the New York Stock Exchange and the NASDAQ; – it is a home for a variety of industries: finance, technology, fashion, media.
3	Singapore	<ul style="list-style-type: none"> – it possesses excellent public transport; – its basic infrastructure is among the best on the planet; – the public sector is used as a catalyst for innovation and economic development; – it is aggressively promoting and developing its biotechnology industry.
4	Toronto	<ul style="list-style-type: none"> – an excellent quality of life; – it is one of the safest cities in North America.
5	San Francisco	<ul style="list-style-type: none"> – regardless being a small city compared to other American cities, it has outsize economic influence; – a few of the world's biggest companies are based in and around the city, for instance, Google.
6	Paris	<ul style="list-style-type: none"> – it is characterized by high rates of literacy and education possessing respected universities and libraries; – it owns exceptional public transportation.
7	Stockholm	<ul style="list-style-type: none"> – it possesses a powerful innovative climate which involves information and communications-technology companies, clean-tech companies, the entertainment industries; – it owns a heating district system that keeps pollution out of the environment.
8	Hong Kong	<ul style="list-style-type: none"> – the city ranks high for quality of life and has the fifth-highest life expectancy in the world; – it has a fantastic public transportation system; – it is characterized by low taxes and sophisticated international financial market; – the world's major investment banks, asset managers, and insurance companies maintain their Asia-Pacific headquarters here.
9	Sydney	<ul style="list-style-type: none"> – it ranks highly in safety, friendliness, and quality of living; – it has a strong, prosperous economy and plenty of business opportunities.
10	Chicago	<ul style="list-style-type: none"> – nearly 500 companies are based in and around the city, for instance, Boeing; – it is a culturally attracted city.

Both of above-mentioned ratings include six major global cities – London, New York, Tokyo, Paris, Singapore and Hong Kong, while the rest of cities is diverse, indicating that many of contemporary cities have a wide range of opportunities for the further development.

Another type of ranking has been carried out by PricewaterhouseCoopers (PwC), a multinational professional services network (*PwC*), which has examined 30 major cities to evaluate their global importance. These cities offer the widest opportunities for businesses and the people who live there in terms of their comparative performance across the following key indicators (Fuchs and Jacobs, 2014): intellectual capital and innovation, technology readiness, accessibility of a city to the rest of the world, transportation and infrastructure, health, safety, and security, sustainability and the natural environment, demographics and livability, economic clout, ease of doing business; and cost.

By consolidating this information, the list including top 10 cities with their specific features has been arranged (Table 3).

London and New York are obviously the leaders, but not the hegemonic nations as they were throughout much of the XX century, and their major competitors are now mainly from outside Europe. Besides London (GDP per capita amounts 2,5%) ranks 26th in the list of fastest growing economies in 2014 (Parilla et al., 2015, p.8), while New York ranks 15th in the list of the world's 300 largest metropolitan economies (Parilla et al., 2015, p.4).

Urban economic development planners, business leaders and local authorities, by examining the indexes' metrics, can find many ideas which can inform their improvement plans and investment decisions in order to better benefit from the world economy and compete against other cities in the region.

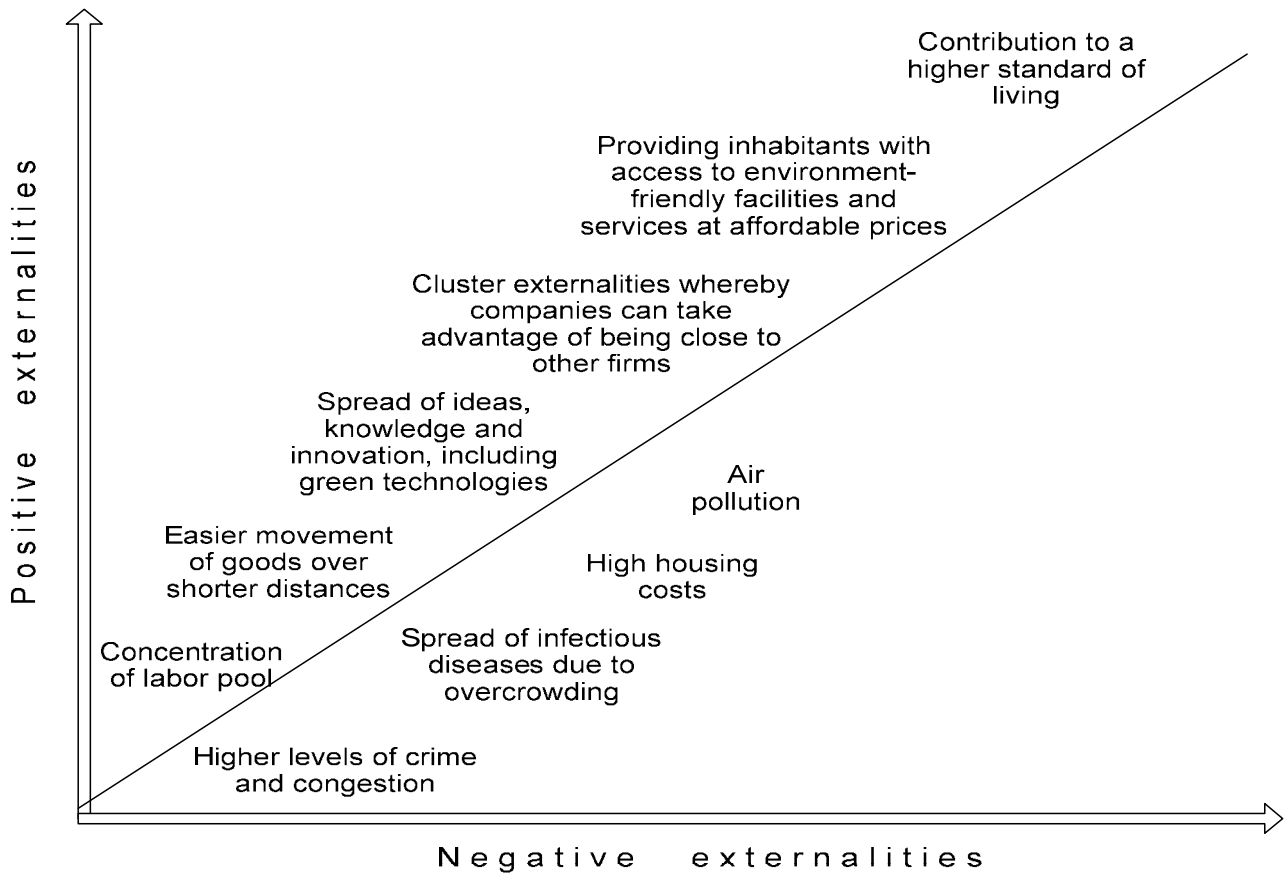


Fig. 2. Positive and Negative Externalities Generated by Global Cities

It is worth pointing out that regardless North American cities show greater potential today, especially in innovation, European cities prevail. Simultaneously, considerable outperforming of top cities in China compared to those in India reflects intensifying competition. Nowadays, the global cities are those which demonstrate their power and influence in both performance and potential.

Thus, cities no longer need to be dependent on their own countries as they have all necessary facilities and resources for autonomous development evidenced by the creation of transnational spaces for economic activity where state governments play a minimal role. Simultaneously, the formation of global cities generates both positive and negative externalities (Figure 2).

Across the globe, metro economies tend to be doing better than their national economies. Almost all the above-mentioned problems are solved exactly by competent local authorities rather than state government through greater wealth, stronger institutions, and from physical infrastructure. Therefore, global cities play an important role providing positive outcomes specifically in economy, while their negative influence is perceived mostly in the social sphere. They most likely play a greater role than their national economies making these countries more powerful in the international arena, as well as act as independent actors in competition for resources, spheres of influence and defense of their interests. However, to become a sufficient part of the world economy and to enhance their role, global cities must be paired with appropriate strategies, policies, and regulatory mechanisms.

Conclusion

Comprehensive economic development over the past few decades has caused urbanization and the appearance of global cities. The number of global cities in both more developed and less developed parts of the world is increasing dynamically. So that, the place, significance and role of such cities constantly attracts more attention.

Global cities become important actors in the world economy, which is reflected through the existence of headquarters of transnational and multinational corporations on their territory; the formation of major transport corridors and excellent transport connections; the strategic role of specialized services; processes of urbanization; as well as through the political participation and impact held by these cities. Global influence may follow the rise of the new global cities (e.g. Singapore, Hong Kong) moving from West to East. All of these attributes serve significant indicators to determine how cities become global and to identify opportunities provided by them.

By focusing on the elements that contribute to the generation, attraction, and retention of global capital, people, and ideas, the Global Cities Index, Global Power City Index and other ratings can be powerful tools in the hands of policy makers and business leaders who are seeking to capture the prospects that arise from global cities.

Global cities function by uniting the people and capital. Thriving global cities pay attention to their local economies and they pursue cosmopolitan values to guarantee long-term economic and political success. Thus, the position of global cities in the world economy as major, prosperous cities, allows them to act as a role model, as well as demonstrate amazing opportunities for other metropolitan areas inside their own countries and beyond.

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