World cities in global and regional economies

In this section you will learn about the role of world cities in global and regional economies

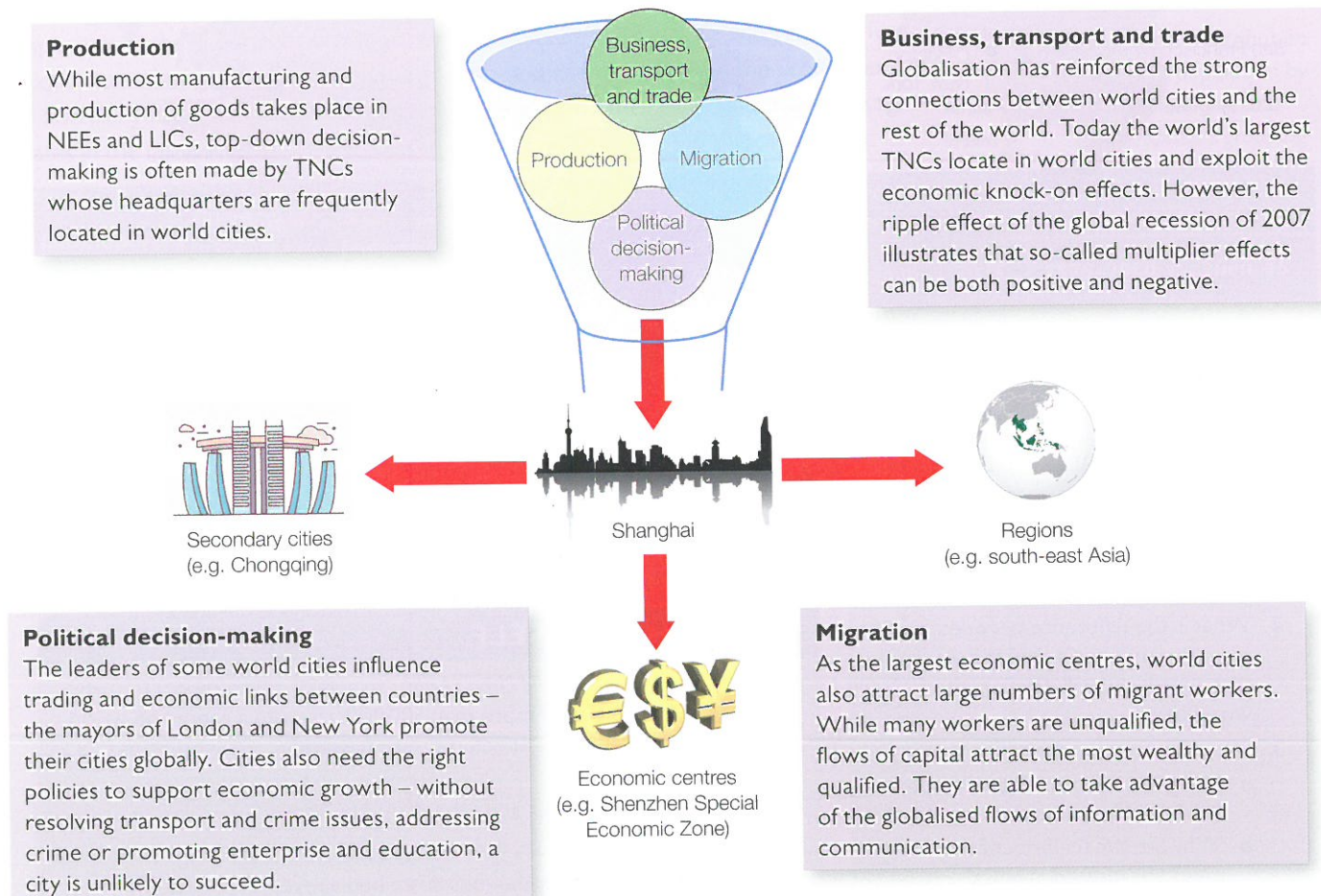## World cities and economic growth

In many ways, the countryside might be a more pleasant place in which to live, but it is in cities where most economic activity takes place. World cities drive regional, national and global economies, support prosperity and create jobs. Interconnecting world cities act as funnels for economic growth (Figure 1). This growth then flows to other regions or cities that, in turn, act as centres of further economic growth and so on.

However, not all world cities are growing – for example, New York's population has actually been declining in recent years as the so-called middle classes have moved to the suburbs and beyond. Technology has also played a role as a counter-force to urbanisation. Other cities, particularly in LICs where urbanisation is occurring at its most rapid, are unable to stimulate economic growth. This is partly a result of underinvestment in **infrastructure**, but also reflects a lack of skilled workers and entrepreneurs.

What makes world cities so productive?

As a general rule, city productivity increases with city size. This is because more able, creative and educated workers are pulled into cities and also because the productivity of an individual increases with city size. This is all part of what economists call **agglomeration economies** or the idea that the presence of many people, services, industry and so on in a small area has productivity gains. For example, in densely populated areas/cities there are reduced costs for moving goods, labour can be pooled between different firms and ideas flow more quickly. However, world cities particularly succeed because of good governance structures. Where fragmentation of administration exists, such as in some megacities, barriers to productivity emerge, such as lack of coordination and management of transport networks, land use and infrastructure. (The movement of activity, usually industry, away from agglomerations is known as *deglomeration*).

Figure 1 *World cities are 'hubs' or funnels of economic activity*

Production
While most manufacturing and production of goods takes place in NEEs and LICs, top-down decision-making is often made by TNCs whose headquarters are frequently located in world cities.

Business, transport and trade
Globalisation has reinforced the strong connections between world cities and the rest of the world. Today the world's largest TNCs locate in world cities and exploit the economic knock-on effects. However, the ripple effect of the global recession of 2007 illustrates that so-called multiplier effects can be both positive and negative.

Business, transport and trade

Production   Migration

Political decision-making

Secondary cities (e.g. Chongqing)

Shanghai

Regions (e.g. south-east Asia)

Political decision-making
The leaders of some world cities influence trading and economic links between countries – the mayors of London and New York promote their cities globally. Cities also need the right policies to support economic growth – without resolving transport and crime issues, addressing crime or promoting enterprise and education, a city is unlikely to succeed.

Economic centres (e.g. Shenzhen Special Economic Zone)

Migration
As the largest economic centres, world cities also attract large numbers of migrant workers. While many workers are unqualified, the flows of capital attract the most wealthy and qualified. They are able to take advantage of the globalised flows of information and communication.

Shanghai

Shanghai is situated on the east coast of China and is a world city that benefits economically from its large size. There are a number of factors that help to explain its economic success:

- *Migration* – Shanghai has more than 100 000 graduates per year from 60 higher education institutions. Consequently, over one-quarter of the city's labour force has a college education. This pool of enterprise and skills is added to each year from overseas workers and students.

- *Production* – with the creation of several more open cities along the Yangtze River as far as Chongqing, there is now a line of production centres west of Shanghai. These cities support Shanghai's export-oriented economy as well as fast becoming export centres in their own right.

- *Political decision-making* – in 1984, the Chinese government set up Shanghai as one of 14 open cities. As a result, economic and technological development zones were established and there has been huge inward investment. In 1990, Pudong New Zone, on the eastern side of Shanghai, was created. What was once impoverished swampy farmland is now home to China's financial and commercial centre (Figure 2).

- *Business* – with favourable terms offered to overseas companies, Shanghai attracts a disproportionate amount of overseas investment. This effect is exaggerated as risks are perceived to be less if there are already foreign companies in an area. This has resulted in Shanghai's continued growth at the expense of some of the smaller cities.

Figure 2 *Panoramic view of Pudong, Shanghai*

Synoptic thinking

Geographers are often required to think *synoptically* – in other words to make links between different themes or content. Whilst Human, Physical and Environmental Geography all have an identity, the best geographers will make connections between all three. For example, spend a little time considering how one chapter of this book relates to another – this chapter and Global systems and global governance (Chapter 1) are two good places to start!

ACTIVITIES

1. Why are world cities so important to the global economy?
2. Suggest reasons why education is so important to the future of cities, particularly in LICs.
3. Study Figure 1. Explain why world cities in HICs are more likely to be economically successful even though they are not the most populated.
4. Study Figure 2 and also Figure 1 in section 2.5. Suggest reasons for the changes in land use.
5. 'Big is best.' Discuss with reference to the role of world cities in global and regional economies.

STRETCH YOURSELF

Is the growth of world cities a cause or an effect of globalisation? Suggest reasons for your answer. Try and show synoptic reasoning in your response.