

Working papers



**The Global Reconfiguration of Spaces,
Regions and Places**

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In a world where the boundaries between markets, societies, and cultures are losing relevance, one's glance unavoidably turns to the overarching developments that—in the powerful words of Renato Ruggiero¹—shape a reality superseding all other realities. Today, the cycles of the economy, the rules of the game in politics, and everyday life are deeply shaped by processes that have been discussed for a good two decades in terms of globalization. Urban processes are no exceptions to this. Their dynamics cannot be understood apart from the regional, national, and now also global spatial processes that reshape them. To understand these dynamics, even only in rough outlines, presupposes an adequate understanding of globalization.

I.

In general terms, globalization is an overarching expression for three worldwide trends. First, the liberalization of trade in commodities, currencies, and capital that was introduced in the 1980s has undermined the foundations of the old-style national economies and nation-states. Globalized markets and transnational corporations present new kinds of problems for territorially-based politics. Second, technological revolutions have reduced the costs of transport and communication so much that processes of wealth creation can be distributed among several continents. The *World Wide Web* has become the symbol of borderless, decentralized, non-hierarchical communication that circulates more than information, political messages, and cultural contents alone. The Internet appears as the world of life for a virtual economy whose products are statistically classified as *invisibles*: knowledge-based services, information, and weightless products like software and patents have shed the classic trait of site-bound production and can be accessed without limit. Third, fueled by both of these trends, a new international division of labor has emerged to fundamentally change the geographic pattern of the world economy. Not only did Communism fail due to its self-chosen isolation from the world market; the former Third World has dissolved into extremely diverse regions. The emerging markets, in particular the countries of Southeast Asia, China, and more recently also India, are no longer only providers of raw materials, agricultural products, and simple semi-finished products. They have

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meanwhile developed their own high technologies, created global brands, and become magnets for foreign investments.

The explosiveness of these processes is hard to overestimate, even if there is no consensus about their long-term implications. Many social scientists speak of an epochal turn that is breaking down the institutional and territorial foundations of modern societies. The communities, places, and institutions we are accustomed to are being sucked into the turbulences of the world society, into multiple identities, transnational social spaces, and supra-territorial—if not site-less—functional systems. Globalization understood in this way is seen as liberating politics from its nation-state confines and as creating space for a global civil society. The geographical unbounding of markets, the transfer of technology, and improved communication are presented as an opportunity for previously peripheral regions to overcome the disadvantage of distance from the centers. In other words, globalization appears as emancipation from space and time through communication and velocity.

Recognition came early that these developments transform the spatial order of societies, that they have effects on the geographical distribution of economic activities, on processes of urbanization, and on the order in the cities. The direction this all would take has repeatedly been the theme of far-reaching speculation. The probably most influential, though often misinterpreted metaphor of the global village that Marshall McLuhan developed in the 1960s boils down to a trivialization of the cities: Media networking would permit site-independent presence; tribes immigrating in the rich countries could continue their local cultures in their own news channels. In the age of universal media-ization—so McLuhan's pointed diagnosis—the French capital could not claim greater relevance than Paris, Texas.

Visions of a media-ized world have remained present in the current globalization discourse. As the British economist Richard O'Brien sees it, digital financial transactions have brought the “end of geography”; the *Economist* announces the “death of distance”. According to the London sociologist Martin Albrow, globalization is dissolving the firm spatial reference point of social orders: “It no longer plays any role where one lives. The global is localized everywhere.”

Have the cities then already lost their future? Have they given up their function as condensed sites of communication, encounter, and the organization of cultural, but also economic production to decentralized forms of local self-governance, knowledge-based infrastructures, and production sites that can be moved at will?

As so frequently with futurological speculations, perceptive observations and exaggerated extrapolations lie close together in the globalistic visions of an entropy of geographical places. What we observe is not the dissolution of space and time, but their reconfiguration. Indeed, in the course of globalization, new geographical patterns and new centers arise, and new political arrangements and social structures emerge. Along with an integration in global circulations, the map of the world economy also shows zones of exclusion; processes of convergence are shot through with fractures and regressive developments. Considering the complexity of these processes, it makes little sense to seek a consistent logic pointing to a clearly outlined future. To understand how geographical spaces restructure themselves under the conditions of globalization and how this interacts with the conditions of urbanity and urbanization, differing trends should be viewed in distinction from each other.

II.

On a first level are the processes by which urban centers lose their function, processes that have been described for some time now as post-industrialization and post-modernization and that contribute to the phenomenon of *shrinking cities*. In the explanations for this, the decline of large-workforce industries plays an important role: with them disappears a central economic reason for concentrating living in cities, namely to bring people, administrations, and companies together to minimize the costs of transport, knowledge, training, and information, as well as to manage occupational risks. In exchange for these advantages, the burdens of environmental deterioration, traffic, the concentration of crime and poverty, increasing real estate prices, and inner-city decay gain importance. The last of these factors are regularly mentioned as reasons for moving away, especially by families and members of the middle classes.

Since the 1960s at the latest, processes of suburbanization have been studied in all their dimensions. Today, cities of a million or more from Atlanta to Seattle and also middle-sized and smaller cities are confronted with inner-city residents' flight into the neighboring regions. The social-structural implications of this trend can be seen in the phenomenon of *gated communities*: a sixth of the American population already lives in residential settlements that have their own security services, transport routes, schools, and health facilities. The transformation of affluent districts in some cities that want to maintain a strong tax base deepens the "secession of the successful" that Robert Reich² speaks of in this context. The decades-long trend of suburbanization continues and affects not only the preferred residential sites and their affiliated shopping malls and recreation areas. Offices are following the trend to decentralization: In the USA, sixty percent of the office space and ninety percent of new office buildings are already in suburbia.

It is still unforeseeable whether the pattern of a suburbanizing lifestyle and the spatial processes associated with it will globalize from America. But it is clear that this process involves more than subjective preferences and regional developments. The factors of globalization mentioned above drive this process forward in several ways. Old industrial centers declining, companies fragmenting, production sites shifting to low-wage countries, capital markets detaching from material production—all of these are consequences of the wave of liberalization that began in the 1980s. This wave started in the financial centers of the Western countries, but also rebounded upon those countries' own industrial regions. An inkling of the global effect of the new international division of labor can be gained from the structural changes in international trade: within two decades, the newly industrialized countries increased the share of finished products in their exports from twenty-five to eighty percent and doubled their exports of services. This was also the cause of the crisis in Europe's and North America's shipbuilding, steel, and automobile industries.

The declining regions of the old industrial countries thus confront the rising regions of the *new globalizers*. And competition for locational advantages dominates within the established countries, as well. In the USA, for example, a once rather peripheral and urbanly underdeveloped

² Economist and Secretary of Labor in the Clinton Administration

state like Alabama has risen to become an automobile manufacturing site—whereby the Korean, Japanese, and German investments received hundreds of millions of dollars in subsidies. Thus, what decides a choice of site is not purely a question of market processes, but also of political decisions on local, regional, and state levels. What is hardly new to those conducting research on cities and regions is also true under the conditions of globalization: Tax policy incentives have always played a dominant role in the spatial distribution of production sites and residential areas. But what *is* new is that industrial jobs are not the only ones leaving the old centers. The foreign outsourcing of qualified services has as yet unfathomable effects on the economy of cities. It is estimated that, in the next ten years, US companies will shift more than three million such jobs to low-wage countries; Britain will lose 25,000 IT jobs to foreign countries in the next two years. An indicator for the thoroughgoing consequences for city economies is the current proportion of untenanted commercial real estate in European cities, which is at its historical maximum.

III.

Can companies and jobs moving away from the old centers of industrial production be viewed as a kind of compensatory justice that is helping historically disadvantaged regions overcome their peripheral status? On a second level of the global redistribution of economic sites, the aforementioned differentiation in the former Third World comes into view; it amounts to a spatial heterogenization and contradictory paths of urban development at the same time. Optimistic observers see the recent globalization primarily as a turn in the world society's development that is beginning to benefit the South; whereas the inequality between the countries of the North and of the South increased for two centuries, the world-economy integration of countries willing to globalize, like China, India, and Mexico, has reversed this trend. In the last decade, this group of countries, which comprises more than three billion inhabitants, has shown more than twice as much growth as the established industrial countries. In this way, a new global middle class appears to have arisen whose consumption and way of life is oriented toward urban conditions. Indeed, the metropolises of the countries entering globalization have become nodes of worldwide networks of companies. Bangalore, Manila, Shanghai, and Kuala Lumpur are magnets for

investment and at the same time places with the greatest increases in the sales of luxury articles produced in the West.

The cities of the developing countries are particular theaters of continuing globalization for another reason, as well. Overall, the urban population in the developing countries will increase by sixty million a year over the next three decades, so that the population of big cities will double in the next twenty-five years. This will result, not least, from urban areas' potential for development, namely providing public goods specific to big cities, networked learning and communication, access to markets, occupational training, and jobs. In addition, repressive cultural norms tend to relax in urban surroundings; social networks here offer better opportunities for political self-organization. It is no coincidence that the urban level is where one finds the interesting approaches to transnational networked initiatives devoted to questions of administration and culture, environmental protection and residence, for example the *Union of Capital Cities of Latin America* and the *Cities Alliance*. But the geographical pattern of the South's and the East's compensatory globalization does not fit the customary ideas of convergence. The rapid rise of new metropolises is accompanied by dramatically increasing regional inequalities. China's growth zones, for example, are concentrated on the southern coast, while poverty and lack of prospects spread in the hinterland. The establishment of special economic zones and prestige projects pre-programmed such inequalities. Shanghai's demonstrative expansion to become a regional financial center with high-tech factories, magnetic railways, and a Formula 1 racetrack exhibits the regional disparities: a single city accounts for more than ten percent of all foreign direct investments in a country of 1.3 billion inhabitants. More recent studies of developmental processes are rightly shifting their gaze from entire countries to more details of the spatial distribution of income, health, and education. Mapping the character of such social indicators reveals regional differences that globally summarizing perspectives veil.

The light radiating from the few metropolises in the newly globalizing countries thus all too easily blinds the view of the living reality of the overwhelming majority of people who have moved to the cities. According to UN figures, after the turn of the millennium, 837 million people live in urban slums all over the world. A third of the Asian population and half of the African

population of urban regions live here—in part half-legally or illegally—in inadequate housing, exposed to higher risks of illness, crime, or natural disaster. It cannot even be ruled out that this progressing trend will reach Europe. Uncontrolled immigration that overwhelms the capacity of municipal administrations is found not only in the environs of Ankara and Istanbul, but also in post-communist cities like Belgrade.

On the smaller scale of cities, as on the greater scale of regions, a spatially-oriented mode of observation is needed to capture the contradictory articulations of globalization. This is true in particular for the great gap between the new globalizers and the losers of globalization, especially in Africa south of the Sahara, but also in Latin America. That the map of the density of distribution of world economic production is especially transparent in these regions has to do with the “disadvantages of distance”, among other factors. Globalization has passed by countries that are not close to the great oceanic transportation routes. Outside of Europe, no landlocked state has a large income. The economic core zones of the world are in Europe, the coastal regions of East Asia, and the western and eastern coastal regions of the USA and Canada, including the Great Lakes and the St. Lawrence Seaway. These zones are where the overwhelming proportion of capital goods is produced; here lie the financial centers.

A look at the spatial concentration of globalization reveals the following relation: a third of the world’s economic production takes place on a surface comprising barely three percent of the earth’s inhabitable territory, whereby productivity increases with distance from the equator. In the other direction, this means that southern Africa, the world’s poorest region, belongs to globalization’s losers, due to its distance from Europe’s markets and to the large proportion of its population that lives in the hinterland—i.e., for geographical reasons. This observation from the New Economic Geography contradicts the popular hypothesis of a dissolution of space and time; and it contradicts the neo-liberal dogma that economic liberalization is an affluence-increasing strategy equally available to all countries.

IV.

Disadvantages of distance stand in contrast to the geographical advantages of cities that are not merely derivative variables of globalization processes, but centers of global strategies and political designs. To characterize the function of such cities, Saskia Sassen introduced the concept of *global cities*. In critical dissociation from the fiction of an information economy dissolved in communication and streams of capital, this concept underscores the materiality of cities that function as post-modern production sites for services that are functionally related to globalization. In this sense, we are dealing with nodes in global networks that deserve special attention.

The functional individuation of global cities is spectacular in that it began in the relatively short period of the most recent wave of globalization, namely the early 1980s, and took place in parallel in countries with extremely diverse cultures, political constitutions, and economic development. Detroit, Manchester, London, Liverpool, Osaka, Tokyo, New York, Zurich, Hamburg, and many other metropolises have lost their former significance as industrial centers or ports. Complementarily to the emigration from inner cities and to the outsourcing of production, some cities, especially London, New York, and Tokyo, but also Paris and Frankfurt, have taken on new functions emerging from the same process of globalization. And it seems obvious that the competition for locational advantages that is tied to such functions also puts pressure on other cities to restructure.

The reasons for this development correspond with the general sociological observation that functional and regional differentiations require the reintegration of the individuated units on a higher level of coordination and of strategic definition of goals. Applied to the processes of globalization, this means that global cities assume strategic functions in maintaining control over companies operating all over the world. On their own, entrepreneurs and manager elites would no longer be able to maintain an overview of, much less direct their concerns' transnationally scattered activities. To this end, they avail themselves of the highly specialized services and innovative markets that concentrate in global cities. First, the concentrated offerings of services formerly carried out *within* a company makes them available in individuated form and with cost

advantages like those typical of industrial production processes. Marketing and product planning, insurance and financing, the composing of international contracts, the juridical security of foreign investments, the optimal distribution of tax obligations among various countries, personnel recruitment for foreign branches, and much more is all delegated to specialized agencies that have global competencies. The centralization of such company-oriented services is thus no contradiction to the worldwide distribution of production sites. Rather, the former is the precondition of the latter, because it makes decisive *inputs* available for the global networks of factories, administrations, and financial markets.

This is especially true of the new financial centers, where markets for a new kind of securities have developed. Even insiders took a long time to understand the complexity of these financial innovations. The trade in derivatives and currencies, option deals, and the management of hedge funds with various risk structures exceeds the capacity of traditional banks, which are increasingly losing their role in financing companies. Financial places are thus no longer defined primarily via banks. They combine the communications infrastructure typically found in cities with a constant influx of freshly-trained personnel into various specialized providers of financial services and systems of trust, which develop less in competition among individual companies than in complementary relations among them.

Exercising global functions has substantial effects on the urban economy and on the social and spatial structure of the expanded urban regions. Not only have managers, brokers, and management consultants risen, thanks to stock options and bonuses, to the small stratum of top earners who have experienced extravagant increases in income. Their luxurious lifestyle molds the revitalized districts of the inner city with expansive dwellings, exquisite restaurants, hotels, and boutiques. The rapidly rising real estate prices in all metropolises can also be traced to this trend. The other side of the coin of the new inner-city service society is the less visible but nonetheless indispensable personnel of the cleaning brigades, security guards, couriers, servants, and domestic workers. Poorly paid, often informal if not illegal employment forms the lower segment of the city's social hierarchy—a low-wage economy that is the entranceway for migrants from all over the world. The hierarchical division of labor and the polarization of income translate into socially/spatially segregated residential areas, so that the urban sociologist John

Friedmann contrasts the “citadels” of the business high-rises and the luxury apartments with the ghettos of the *working poor* and migrants.

Of course, few cities have the potential to position themselves as organizing centers for global activities. But the dynamics of urban transformation shown here in the case of the global cities also shapes the second- and third-tier cities. Even without any hope for a top position, they have to redefine their position in the hierarchy of the global and regional system of cities. Compared with Wall Street, for example, the turnover of the Frankfurt stock-exchange is second-rank. But in the European framework, Frankfurt can rely on national policy in competition with Paris and London: the German government is negotiating with bank representatives about a law that would favor the domestic financial site. Other cities are trying to position themselves with trade fairs, conferences, museums, cultural events, international courses of study, transportation infrastructure, and local economic policy.

The consequences of these politics can also be seen in a society that is as committed to equality of living conditions as the Federal Republic of Germany. Since the 1980s, its never-overcome traditional gap between urban and rural regions is being overlain with a hierarchical urban-regional system. Whereas the cities of the northern and western industrial regions were gripped by the structural crises sketched above, the more southerly cities profited from newly-founded technology companies and expanding service industries. In the face of increasing transnational interconnections, politics has given up regional planning policy related to the state territory as a whole. The constitutionally anchored goal of striving for equality of opportunity among regions is still proclaimed, but de facto, politics has taken the path of a decentralized distribution of competencies. “Competitive federalism” is the new formula in accordance with which the responsibility for business-friendly policies is increasingly delegated to component states and communities. This problem field is exacerbated by eastern Germany’s de-industrialization. Despite massive transfers of wealth, the decline of the old industrial regions could not be staved off; the few new centers of growth develop only mild employment effects and were unable to stem the tide of westward migration.

V.

The trends sketched thus far prohibit us from grasping globalization as a logic eliminating qualities and dissolving the “space of places” into a “space of flows”. Regions, cities, and states are not equally passive playthings of spatial restructurings; with varying positional power, they influence the geographical pattern of globalization. If privileged regions, cities, routes, and “destinations” prevail, which is readily seen in the distribution of traditional dimensions of economic production, the backbones of the Internet, trade connections, and, not least, the locations of international institutions, then this also has something to do with the constellations of power that the process of globalization involves. In this way, we do not stand at the end of time and space, but at the beginning of a new chapter of political and economic geography.

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