Global Cities and Nation States

Prof Greg Clark & Dr Tim Moonen

Tokyo
September 2017
Origins of the Global City: Trade and Connectivity

- **1300 BC Phoenicians**
  - Tyre, Syracuse, Carthage
- **500 BC Persian Royal Road**
  - Babylon, Susa, Ephesus
- **400 BC The Silk Roads**
  - Ctesiphon, Samarkand, Balkh
- **1300 AD The Mediterranean**
  - Venice, Barcelona, Genoa.
- **1300 AD Hanseatic League**
  - Hamburg, Lubeck, Bruges
- **1300 AD South East Asia**
  - Canton, Melacca, Surabaya

Trade led to Innovation = Transport, Exchange, Currency, Insurance, ⋯.

Innovation led to Cities = specialisation, clustering, agglomeration, ⋯.

Cities organised to promote trade = Connectivity, Logistics, Merchants, ⋯.
Navigating global cities.

Origins: Trade and cities.

Global Cities in the ancient world.

Global cities in the modern world.

Understanding global cities. Theory and Benchmarking.

Global Cities today. New wave. Why and what?

Global City Futures: Challenges and leadership.

5 recurring ingredients of global cities over 5,000 years:

- Trade and connectivity
- Openness, diverse and entrepreneurial populations
- Innovation and Influence
- Discovery of new markets
- Geo-political opportunity
Navigation.

Why Now?
- New trends in current cycle post 2010
  - Global economic change and new dynamics.
  - Rising Number of Global Cities
  - Metropolitanisation
  - Anti-globalisation and populism
- Cycles, Waves, and Paths.
- Not just Finance and business centres, Capitals or Ports.
- 3 new types: Emerged, Emerging and New.
Cycles

Waves

Paths

1492 - 1650
1650 - 1780
1780 - 1850
1850 - 1914
1945 - 1973
1985 - 2007
2010 -

Antwerp, Genoa, Istanbul, Venice
Amsterdam, Guangzhou, London, New York
Berlin, Paris, Birmingham
Bilbao, Liverpool, Manchester, Rotterdam, Vienna
Munich, Seoul, Singapore, Tokyo, Toronto
Bangalore, Barcelona, Chicago, Sydney, Melbourne, Tel Aviv
Colombo, Nanjing, Brisbane, Tel Aviv, Sao Paulo…
The Silk Roads 400BC – 1600 A.D.

Innovations  Caravans, paper, algebra, gunpowder, banking, medicine
Externalities  The black death, Hunnic and Mongol Invasions, religious war
The Hanseatic League 1250-1550

Innovations
Commercial organisation
Shipbuilding
Banking

Externalities
Restrictive trade monopolies
Self interest of individual cities
Failure to adjust to new markets
# Global Cities of the Ancient and Modern World: 10 Waves

<table>
<thead>
<tr>
<th>Wave</th>
<th>Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phoenicians, Persians</td>
<td>Silk Roads and Ancient roads.</td>
</tr>
<tr>
<td>Post Roman Empire</td>
<td>Baghdad, Tikal, Cairo</td>
</tr>
<tr>
<td>1300 Commercial Wave</td>
<td>Hanseatic League, Venice, Barcelona</td>
</tr>
<tr>
<td>1500 Post Columbian Wave</td>
<td>Antwerp, Amsterdam</td>
</tr>
<tr>
<td>1600 Mercantilist Wave</td>
<td>London, New York, Buenos Aires</td>
</tr>
<tr>
<td>1760 Early Industry wave</td>
<td>Guangzhou, Boston, Manchester</td>
</tr>
<tr>
<td>1850 Mass Industry wave</td>
<td>Los Angeles, Birmingham, Bilbao</td>
</tr>
<tr>
<td>1945 Post War Waves</td>
<td>Tokyo, Munich, Singapore</td>
</tr>
<tr>
<td>1985 ICT, liberalism and integration</td>
<td>San Francisco, Hong Kong, Barcelona</td>
</tr>
<tr>
<td>2008 Techno–Globalism</td>
<td>3 city types: Singapore, Tel Aviv, Seoul</td>
</tr>
</tbody>
</table>
Alexandria 334BC – 1450s

Baghdad 8th-10th C
Heart of Islamic **single market**. “Showcase” city open to new cultures: **progress in sciences**.

Grain and Silk Roads **gateway**. Multicultural cross-roads = city of knowledge.

Guangzhou 10th-15th C
1760-1850s
China’s **maritime gateway**
Tea, opium, war.
Global Cities of the Ancient and Modern World

Amsterdam 1550–1700

- Financial and trade innovation. Colonies and canals = European distribution hub.

San Francisco 1970s–Present

- ICT driven by R&D network, quality of life and local VC finance

Vienna 1815–1914; 1995–Present

- From cosmopolitan capital to Fascism. Reborn as city of diplomacy, culture, tourism and regional finance.
## Understanding Global Cities

<table>
<thead>
<tr>
<th>First wave</th>
<th>Second wave</th>
<th>Third wave</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PROMINENT THINKERS</strong></td>
<td><strong>PROMINENT THINKERS</strong></td>
<td><strong>PROMINENT THINKERS</strong></td>
</tr>
<tr>
<td>Peter Hall</td>
<td>Saskia Sassen</td>
<td>Allen Scott</td>
</tr>
<tr>
<td>David Heenan</td>
<td>Peter Taylor</td>
<td>Michele Acuto</td>
</tr>
<tr>
<td>John Friedmann</td>
<td>Ed Soja</td>
<td>Ben Derudder</td>
</tr>
<tr>
<td>Goetz Wolff</td>
<td></td>
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</tr>
<tr>
<td><strong>KEY IDEAS</strong></td>
<td><strong>KEY IDEAS</strong></td>
<td><strong>KEY IDEAS</strong></td>
</tr>
<tr>
<td>Qualitative: multinational firms, international divisions of labor, knowledge command posts</td>
<td>Quantitative: financial services command points, specialized producer services, social polarization</td>
<td>City regions, more global cities, transnational and global city policy networks, city-states, national governments.</td>
</tr>
<tr>
<td><strong>PROMINENT CITIES</strong></td>
<td><strong>PROMINENT CITIES</strong></td>
<td><strong>PROMINENT CITIES</strong></td>
</tr>
<tr>
<td>Brussels</td>
<td>London</td>
<td>London</td>
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<tr>
<td>Frankfurt</td>
<td>New York</td>
<td>New York</td>
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<tr>
<td>London</td>
<td>Randstad</td>
<td>Tokyo</td>
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<tr>
<td>Tokyo</td>
<td></td>
<td>Followed by:</td>
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<td></td>
<td></td>
<td>Los Angeles</td>
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<tr>
<td></td>
<td></td>
<td>Cities in global south</td>
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<td></td>
<td></td>
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<tr>
<td>+ 250 global benchmarks and indexes</td>
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</tbody>
</table>

+ Major comparative studies (OECD, UN, WB, Brookings, MGI)
310 city indexes in 2017

The Universe of City Indices
There are now more than 300 city rankings, benchmarks and indices...

...covering all aspects of urban life

Number of City Rankings, Benchmarks and Indices
<table>
<thead>
<tr>
<th>Rank</th>
<th>City</th>
<th>All-round</th>
<th>Finance, Corp HQs, Investment</th>
<th>Gateway + transport platform</th>
<th>Talent and innovation</th>
<th>Culture, image and brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>London</td>
<td>2 1 1 1 1</td>
<td>2 1 2 1 1 1 1 1</td>
<td>3 1 2 1 4 5</td>
<td>1 1 3</td>
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<tr>
<td>2</td>
<td>New York City</td>
<td>1 6 2 2 2</td>
<td>1 2 5 3 3 2 4 2</td>
<td>4 8 5 6 1 20</td>
<td>2 8 2</td>
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<tr>
<td>3</td>
<td>Paris</td>
<td>4 4 3 4 4</td>
<td>7 29 9 5 6 3 8 14</td>
<td>5 2 3 9 2 1</td>
<td>3 2 4</td>
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<tr>
<td>4</td>
<td>Singapore</td>
<td>3 2 8 5 3</td>
<td>4 3 1 2 35 5 6 1</td>
<td>7 6 8 6 6</td>
<td>4 4 14</td>
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<tr>
<td>5</td>
<td>Tokyo</td>
<td>6 15 4 3 3</td>
<td>3 5 7 10 19 4 9 3</td>
<td>6 11 9 10 5 3 5 3</td>
<td>28</td>
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</tr>
<tr>
<td>6</td>
<td>Hong Kong</td>
<td>4 9 5 7 5</td>
<td>5 4 6 4 5 30 7 1</td>
<td>2 3 11 22 3 8 19</td>
<td>6</td>
<td></td>
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<tr>
<td>7</td>
<td>Seoul</td>
<td>20 11 11 6</td>
<td>23 14 17 30 20 15 21</td>
<td>8 10 10 5 8 10 16 13 5</td>
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<tr>
<td>8</td>
<td>Amsterdam</td>
<td>17 5 22 8</td>
<td>19 33 7 13 4 34 35</td>
<td>14 5 13 7</td>
<td>27 11 7</td>
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<tr>
<td>9</td>
<td>Toronto</td>
<td>12 3 17 18</td>
<td>13 13 15 8 29 29</td>
<td>10 21 11 13 13 24</td>
<td>28</td>
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</tr>
<tr>
<td>10</td>
<td>Shanghai</td>
<td>43 21 20 12</td>
<td>6 16 4 2 38 9 3 11 7 4 19</td>
<td>20 19 39 17 24</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Los Angeles</td>
<td>19 14 6 13</td>
<td>25 20 6 23 10 12 28</td>
<td>21 42 13 31 1</td>
<td></td>
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<tr>
<td>12</td>
<td>San Francisco</td>
<td>13 8 23 24</td>
<td>12 6 10 14 14 7 53 5 24 33</td>
<td>2 11 27 26 44 8</td>
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<tr>
<td>13</td>
<td>Sydney</td>
<td>15 10 14 14</td>
<td>11 11 19 6 17 11 65 7 29 29</td>
<td>18 14 4 14 14 42 16</td>
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<td>14</td>
<td>Beijing</td>
<td>39 19 9 17</td>
<td>9 26 12 12 42 18 10 13 9 24</td>
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<td>Vienna</td>
<td>25 19 10 31 37 18 45 34 40 20 18 3 16 7 10 39</td>
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<tr>
<td>16</td>
<td>Zurich</td>
<td>7 31 16 14 9 13 9 51 69 33 30 72 9 12 36 18</td>
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</tbody>
</table>
The Established World Cities: the ‘Big Seven’

- Uniquely globalised
- Corporate clusters with global reach
- Biggest shares of financial and biz services
- Strong infrastructure platform
- Cultural appeal
- Political and legal frameworks
- Magnets for global FDI
The New World of Cities

- Established World Cities:
  - Amsterdam
  - Berlin
  - London
  - New York
  - Paris
  - Tokyo
  - Singapore
  - Hong Kong
  - Washington DC
  - Los Angeles
  - Chicago
  - Sydney
  - Toronto
  - Boston
  - San Francisco

- New World Cities:
  - Austin
  - Vancouver
  - Brisbane
  - Dallas
  - Houston
  - Atlanta
  - Stockholm
  - Munich
  - Copenhagen
  - Sydney
  - Toronto
  - Boston
  - San Francisco

- Emerging World Cities:
  - Seoul
  - Shanghai
  - Beijing
  - Taipei
  - Moscow
  - Mexico City
  - Sao Paulo
  - Istanbul
  - Bangalore
  - Shenzhen
  - Hangzhou
  - Delhi
  - Mumbai
  - Manila
  - Seoul
  - Shanghai
  - Beijing

- Other Cities:
  - Osaka
  - Iona
  - Miami

Source: The Business of Cities, JLL, 2017
Established World Cities

The ‘Big Seven’

LONDON
NEW YORK
PARIS
SINGAPORE
TOKYO
HONG KONG
SEOUL

The ‘Contenders’

LOS ANGELES
SHANGHAI
BEIJING
AMSTERDAM
CHICAGO
SAN FRANCISCO
TORONTO
MADRID
SYDNEY
WASHINGTON DC

Score

40  50  60  70  80  90  100

Scored from 44 indices selected on the basis of range, robustness and currency. Cities ranked by percentile performance in each index. Equal weighting between each of seven categories (corporate presence, gateway functions, market size, infrastructure platform, talent, specialisation and innovation, and soft power).

Source: The Business of Cities, JLL, 2017
Established World Cities – cycle dynamics

1st Cycle
- Projects & Physical Renewal
- Promote the Metro
- Tourism
- Events
- FDI

2nd Cycle
- Assets
- Specialist Agencies
- Metro brand
- Larger Events
- New funding tools
- Entrepreneurship
- Economic development
- Strategic Visions
- Internal governance reforms

3rd Cycle
- Managing growth and diversification
- Business Friendly Metro
- Investment Ready Metro
- Innovation / Universities
- Shaping the future
- Metropolitan sphere
- Broader leadership
- Integrated Brand Alliances
- Summits
- Internationalisation Strategy

4th Cycle
- Managing success at the international scale
- Competitive benchmarking
- Eco-system management
- Business Leadership
- Dealing with growth and externalities
- External governance reforms
- Global Summits
- Signature events
Strategic imperatives for Established World Cities

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<td>Sustainability</td>
<td>Tackle climate change adaptation and resilience.</td>
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<td>Land</td>
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<td>Business framework</td>
<td>Maintain competitive business climate and tax regime and IP environment.</td>
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<td>Strategic imperatives for Established World Cities</td>
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Global cities will continue to emerge despite external threats.

Why?
• Global economy and nation states need them (talent and capital and trade and innovation)
• Diversification from Established WCs by talent, capital, technology and firms. Appetite for more.
• Infrastructure investment will create them. New global infrastructure scenario will reinforce open cities.

What does change in city functionality and connectivity mean for global cities?

3 strategic imperatives…

1. How to compete and achieve inclusion, resilience, flexibility?

2. How to manage success and unintended consequences of growth?

3. How to resolve external challenges to global city model?
The city-state returns

By Justin T. Clark | AUGUST 09, 2015

FIVE HUNDRED YEARS ago, cities were both smaller and more autonomous, their citizens

A FOREIGN POLICY FOR GLOBAL CITIES?

Special Report: Doing Business in Chicago

Chicago – the rise and revolt of the city state
‘Thermometer’ of city empowerment

Singapore
Hong Kong

Hamburg, Berlin, Zurich
Stockholm, Vienna, Oslo
Amsterdam, Shanghai, Beijing
New York, Tokyo, Seoul
Barcelona, Milan, Mumbai
Toronto, Auckland, Sao Paulo
London, Manchester (post-2017)
Other UK cities, Dublin, NZ cities
The nation state is not dead!

They:

Establish ‘ground rules’.

Support or deter inter-municipal co-ordination

Set in train a multi-level approach (or not)

Can cause or correct perverse incentives

Align fiscal frameworks with sectoral policies

Set the framework conditions (economy, regulation, investment)
World Cities and Nation States

WORLD CITIES
- Hong Kong
- London
- Moscow
- Mumbai
- New York
- Paris
- São Paulo
- Shanghai
- Singapore
- Seoul
- Tokyo
- Toronto

NATION STATES
- China
- UK
- Russia
- India
- U.S.
- France
- Brazil
- China
- Singapore
- Korea
- Japan
- Canada
The four dimensions of successful national government and world city relationships

<table>
<thead>
<tr>
<th>World city success in its own right</th>
<th>World city contribution to the national economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Role of national government in helping the world city succeed and compete</td>
<td>Role of national government in managing the consequences of its world city for the rest of the nation</td>
</tr>
</tbody>
</table>
Agglomeration phase 1: Growth

City size and Labour productivity

Agglomeration phase 2: Externalities (the price of success)

- High costs: housing, labour, living
- Infrastructure investment demand
- Two-tier labour market
- Social cohesion and integration
- Opposition to growth model
How are higher tier governments adjusting to support their world cities?

• Increased attention to internal and external infrastructure (Crossrail, Grand Paris, Moscow metro, Shanghai, Toronto)

• Step changes to address housing/real estate challenges

• Improved metropolitan governance and spatial development (London, Moscow, Paris, Sydney)

• Fiscal and investment systems (Sao Paulo)

• Awareness of competitive dynamics, business climate and labour markets (Shanghai, Mumbai, Toronto)

• Increased investment in research and innovation (Toronto)

• Extended emergency support (New York, Tokyo)
## Impact of World Cities on Rest of the Nation

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>
## Impact of World Cities on Rest of the Nation

### Advantages

1. Tax yield from higher-value industries
2. Transport gateways for tourists and visitors
3. Fosters supply chain development and demand for national goods and services
4. Provides access to international markets and capital, innovative techniques/products
5. ‘Escalators’ for productivity
6. Financial expertise and trade management capabilities.
7. Improve the ‘business brands’ for nations

### Disadvantages
## Impact of World Cities on Rest of the Nation

### Advantages

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5. ‘Escalators’ for productivity
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7. Improve the ‘business brands’ for nations

### Disadvantages

1. Exposure to economic volatility.
2. Brain drain.
3. Over-concentration in key sectors.
4. Perceived favouritism by national govt investment
5. Other cities and regions become less bankable.
6. Two-tier housing and labour markets – rising inequality
7. HQ and govt role = ‘locked-in’ to prioritising world city, excessive influence on macro/industrial/housing policy.
World city in a Unitary system: London
World city in a Federal system: São Paulo
‘Special status’ city: Shanghai
Tokyo

<table>
<thead>
<tr>
<th>% of national population</th>
<th>% of national GDP</th>
<th>GVA per capita vs national average</th>
<th>City global competitiveness rank</th>
<th>Country global competitiveness rank</th>
<th>Average Job Growth 2000-14</th>
<th>Average GDP per capita Growth 2000-14</th>
</tr>
</thead>
<tbody>
<tr>
<td>28%</td>
<td>32%</td>
<td>1.17</td>
<td>6</td>
<td>6</td>
<td>0.5%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>


➤ Centralised system where TMG gained early autonomy – 1940s. Further reforms in 1990s.

➤ Growing policy co-operation since 2000, shared objectives and communication

➤ Partnerships around Urban Renaissance, Special Zones, 2020 Olympics

➤ Dilemmas around economic policy, regulation and global competitiveness.
Size of capital city compared to next largest city

OECD (2015). ‘Metropolitan Century’
National support for Tokyo

- Co-investment in Tokyo regeneration and infrastructure connectivity
- Shared global ambitions in key sectors = Zones
- Strong support for resilience and for sustainable national system of cities
- Olympic preparations and communication to the world

- Speed of regulatory reform to attract talent and enable Tokyo’s ’Big Bang’
- Promoting the sharing economy and innovation economy
- Sharing the costs of an aging population
- Fiscal redistribution to high need regions
From ‘zero-sum’ to inter-dependence

**National level**

- Highly focused on supporting territorial policies
- Aware of incentives as well as rules.
- ‘Systems of cities’ thinking.
- Customised arrangements for different cities.

**World City**

- Increased self-governing powers.
- Higher fiscal autonomy.
- Able to manage the externalities of growth
- Strong customer to the other cities and rural areas.

**Secondary cities and metros**

- More empowered and capable of investing in their own growth
- Greater specialisation and complementarity
- Increasingly well-connected (with each other)
What’s needed from leadership?

City and regional leaders

• go beyond ‘zero sum’ competition with neighbours
• take a longer term development view
• shift to higher investment, higher return equilibrium
• pool sovereignty
• plan land uses better

National leaders

• address coordination failures, trade-offs, and tensions between fiscal, spatial, economic, environmental policies
• address system of cities and system of regions dynamics.
• increase mutual gain mechanisms between places
• empower sub-national tier and incentivise co-