

"The World City Hypothesis"

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John Friedmann

Editors' Introduction

In what he calls a "world city hypothesis," John Friedmann lays out the architecture of the global system of cities, presenting a set of theses that explain how city form is connected to global economic forces. Cities are ranked – from core, global to peripheral, regional – according to their position within a "new international division of labor." The most important cities within this hierarchy are those that carry out advanced economic functions, such as serving as a global financial center and headquarters for multinational corporations. A city's standing within the global economic system, in turn, strongly influences a host of economic, social, and political changes that takes place within it, from types of employment to funding for parks or museums.

Friedmann notes that the organization of the world city system is far from haphazard; key patterns may be detected. Global capital tends to use certain cities throughout the world as "basing points" in which investments and the development of markets predominate. There is a linear character to the distribution of global cities along an East–West axis. The Asian sub-system of global cities stretches from Tokyo to Singapore. The core cities of the American subsystem are New York, Chicago and Los Angeles, with linkages north to Toronto and south to Mexico City and Caracas. Finally, the European sub-system includes London, Paris and cities in the Rhine Valley, with linkages to a few cities in the southern hemisphere.

The economic sector fueling the global economy and, hence, the organization of the global city hierarchy, is investment flows and the support services behind them, such as advertising, accounting, insurance and legal services. Within global cities, a profound division of labor tends to exist: a workforce of highly educated professionals who specialize in making complex business decisions (what are often referred to as "command and control functions" in the global cities literature) co-exists with a larger labor force of low-skilled workers employed in the manufacturing, personal services, hospitality and entertainment industries.

An additional feature of the global system of cities is the flow of people – migration. In secondary or semi-peripheral global cities, migrants tend to flock to inner city neighborhoods or suburban fringe settlements from the countryside out of economic necessity. As a result, these cities have experienced exponential growth rates which have deepened urban poverty, pollution, and environmental degradation. Because global cities are "growth poles" for a variety of industries at multiple levels, they too function as magnets for immigrants from developing countries in search of employment. In response to massive flows of immigrants or to prevent them, global cities have enacted a variety of legal restrictions to limit the numbers of potential arrivals.

The geography of the contemporary world system of cities is marked by socioeconomic polarization that may be mapped at three scales. The first scale is global in which a small number of core, very wealthy countries (and especially notable cities within them) exist in contradistinction to a larger number of peripheral, extremely poor countries. The second scale is regional in which polarization is evident where second-level global cities with high levels of wealth and urban amenities are surrounded by impoverished rural regions often lacking in basic infrastructure. The third scale of polarization exists within cities themselves where enormous income gaps between corporate professionals and low-skilled workers predominate.

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Some fifteen years ago, Manuel Castells and David Harvey revolutionized the study of urbanization and initiated a period of exciting and fruitful scholarship. Their special achievement was to link city forming processes to the larger historical movement of industrial capitalism. Henceforth, the city was no longer to be interpreted as a social ecology, subject to natural forces inherent in the dynamics of population and space; it came to be viewed instead as a product of specifically social forces set in motion by capitalist relations of production. Class conflict became central to the new view of how cities evolved.

Only during the last four or five years, however, has the study of cities been directly connected to the world economy. This new approach sharpened insights into processes of urban change; it also offered a needed spatial perspective on an economy which seems increasingly oblivious to national boundaries. My purpose in this introduction is to state, as succinctly as I can, the main theses that link urbanization processes to global economic forces. The world city hypothesis, as I shall call these loosely joined statements, is primarily intended as a framework for research. It is neither a theory nor a universal generalization about cities, but a starting-point for political enquiry. We would, in fact, expect to find significant differences among those cities that have become the "basing points" for global capital. We would expect cities to differ among themselves according to not only the mode of their integration with the global economy, but also their own historical past, national policies, and cultural influences. The economic variable, however, is likely to be decisive for all attempts at explanation.

The world city hypothesis is about the spatial organization of the new international division of labour. As such, it concerns the contradictory relations between production in the era of global management and the political determination of territorial interests. It helps us to understand what happens in the major global cities of the world economy and what much political conflict in these cities is about. Although it cannot predict the outcomes of these struggles, it does suggest their common origins in the global system of market relations. There are seven interrelated theses in all. As they are stated, I shall follow with a comment in which they are explained, or examples are given, or further questions are posed.

1. *The form and extent of a city's integration with the world economy, and the functions assigned to the city in the new spatial division of labour, will be decisive for any structural changes occurring within it.*

Let us examine each of the key terms in this thesis.

(a) *City*. Reference is to an economic definition. A city in these terms is a spatially integrated economic and social system at a given location, or metropolitan region. For administrative or political purposes, the region may be divided into smaller units, which underlie, as a political or administrative space, the economic space of the region.

(b) *Integration with the world capitalist system*. Reference is to the specific forms, intensity, and duration of the relations that link the urban economy into the global system of markets for capital, labour and commodities.

When we look at Table 5.1, certain features of the classification spring immediately into view.

(c) *Functions assigned to it in the new spatial division of labour*. The standard definition of the world capitalist system is that it corresponds to a single (spatial) division of labour. Within this division, different localities – national, regional, and urban subsystems – perform specialized roles. Focusing only on metropolitan economies, some carry out headquarter functions, others serve primarily as a financial centre, and still others have as their main function the articulation of regional and/or national economies with the global system. The most important cities, however, such as New York, may carry out all of these functions simultaneously.

(d) *Structural changes occurring within it*. Contemporary urban change is for the most part a process of adaptation to changes that are externally induced. More specifically, changes in metropolitan function, the structure of metropolitan labour markets, and the physical form of cities can be explained with reference to a worldwide process that affects the direction and volume of transnational capital flows, the spatial division of the functions of finance, management and production or, more generally, between production and control, and the employment structure of economic base activities.

These economic influences are, in turn, modified by certain endogenous conditions. Among these the most important are: first, the *spatial patterns of historical accumulation*; second, *national policies*, whose aim is to protect the national economic subsystem from outside competition through partial closure to immigration, commodity imports and the operation of international capital; and third, certain *social conditions*, such as *apartheid* in South Africa, which exert a major influence on urban process and structure.

2. *Key cities throughout the world are used by global capital as "basing points" in the spatial organization and articulation of production and markets. The resulting linkages make it possible to arrange world cities into a complex spatial hierarchy.*

Several taxonomies of world cities have been attempted. In Table 1, a different approach to world city distribution is attempted. Because the data to verify it are still lacking, the present effort is meant chiefly as a means to visualize a possible rank ordering of major cities, based on the presumed nature of their integration with the world economy.

(a) All but two primary world cities are located in core countries. The two exceptions are São Paulo (which articulates the Brazilian economy) and the city-state of Singapore which performs the same role for a multi-country region in South-East Asia.

(b) European world cities are difficult to categorize because of their relatively small size and often specialized functions. London and Paris are world cities of the first rank but beyond that, classification gets more difficult. By way of illustration, I have included as world cities of the first rank the series of closely linked urban areas in the Netherlands focused on the Europort of Rotterdam, the West German economy centred on Frankfurt, and Zurich as a leading world money market.

(c) The list of secondary cities in both core and semi-periphery is meant to be only suggestive. Within core countries, secondary cities tend on the whole to be somewhat smaller than cities of the first rank, and some are more specialized as well (Vienna, Brussels and Milan). In semi-peripheral countries, the majority of secondary world cities are capital cities. Their relative importance for international capital depends very much on the strength and vitality of the national economy which these cities articulate.

The complete spatial distribution suggests a distinctively linear character of the world city system which connects, along an East-West axis, three distinct sub-systems: an Asian sub-system centred on the Tokyo-Singapore axis, with Singapore playing a subsidiary role as regional metropolis in Southeast Asia; an American sub-system based on the three primary core cities of New York, Chicago and Los Angeles, linked to Toronto in the North and to Mexico City and Caracas in the South, thus bringing Canada, Central America and the small Caribbean nations into the American orbit; and a West European sub-system focused on London, Paris and the Rhine valley axis from Randstad and Holland to Zurich. The southern hemisphere is linked into this sub-system via Johannesburg and São Paulo (see Figure 1).

Table 1 World city hierarchy^a

Core Countries ^b		Semi-Peripheral Countries ^b	
Primary	Secondary	Primary	Secondary
London* I	Brussels* III		
Paris* I	Milan III		
Rotterdam III	Vienna* III		
Frankfurt III	Madrid* III		
Zurich III			
New York I	Toronto III	São Paulo I	Johannesburg III
Chicago II	Miami III		Buenos Aires* I
Los Angeles I	Houston III		Rio de Janeiro I
	San Francisco III		Caracas* III
			Mexico City* I
Tokyo* I	Sydney III	Singapore* III	
			Hong Kong II
			Taipei* III
			Manila* II
			Bangkok* II
			Seoul* II

* National capital. Population size categories (referring to metro-region): I 10–20 million; II 5–10 million; III 1–5 million.

^a Selection criteria include: major financial centre; headquarters for TNCs (including regional headquarters); international institutions; rapid growth of business services sector; important manufacturing centre; major transportation node; population size. Not all criteria were used in every case, but several criteria had to be satisfied before a city would be identified as a world city of a particular rank. In principle, it would have been possible to add third- and even fourth-order cities to our global hierarchy. This was not done, however, since our primary interest is in the identification of only the most important centres of capitalist accumulation.

^b Core countries are here identified according to World Bank criteria. They include nineteen so-called industrial market economies. Semi-peripheral countries include for the most part upper middle income countries having a significant measure of industrialization and an economic system based on market exchange.

3. The global control functions of world cities are directly reflected in the structure and dynamics of their production sectors and employment.

The driving force of world city growth is found in a small number of rapidly expanding sectors. Major importance attaches to corporate headquarters, international finance, global transport and communications; and high level business services, such as advertising, accounting, insurance and legal. An important ancillary function of world cities is ideological penetration and control. New York and Los Angeles, London and Paris, and to a lesser degree Tokyo, are centres for the production and dissemination of information, news, entertainment and other cultural artifacts.

In terms of occupations, world cities are characterized by a dichotomized labour force: on the one hand, a high percentage of professionals specialized in control functions and, on the other, a vast army of low-skilled workers engaged in manufacturing, personal services and the hotel, tourist and entertainment industries that cater to the privileged classes for whose sake the world city primarily exists.

In the semi-periphery, with its rapidly multiplying rural population, large numbers of unskilled workers migrate to world city locations in their respective countries in search of livelihood. Because the "modern" sector is incapable of absorbing more than a small fraction of this human mass, a large "informal" sector of microscopic survival activities has evolved.

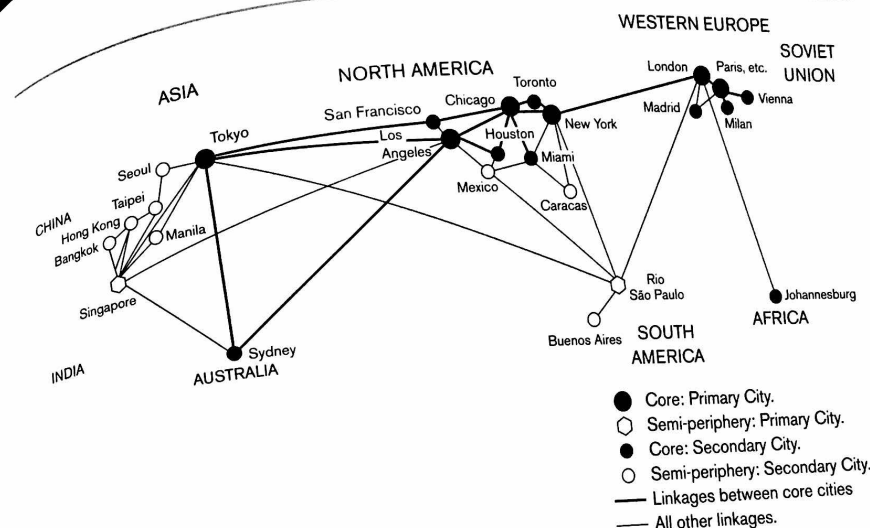


Figure 1 The hierarchy of world cities

4. World cities are major sites for the concentration and accumulation of international capital.

Although this statement would seem to be axiomatic, there are significant exceptions. In core countries, the major atypical case is Tokyo. Although a major control centre for Japanese multi-national capital, Japanese business practices and government policy have so far been successful in preventing foreign capital from making major investments in the city.

In the semi-periphery, the economic crisis since 1973 has led to massive international indebtedness, originally incurred in the hope of staving off recession, originally incurred in the teeth of a world-wide economic disaster in the teeth of a world-wide recession of unprecedented depth and duration. A combination of declining per capita incomes, slow growth in the core of the world economy, IMF-imposed policies, the high cost of capital, capital repatriation, capital flight and obligatory loan repayments in some cases amounting to more than 35 per cent of export earnings have contributed in a number of Latin American countries to a net export of capital. If this trend, extraordinary for the postwar period, should persist, the semi-periphery is bound to backslide into peasant-peripheral status. Although strenuous attempts are

being made to reverse this tidal drift into economic insolvency, declining living standards for the middle classes, immiseration for the poor and the collapse of the world economic system as it presently exists, the outcome is not at all certain.

5. World cities are points of destination for large numbers of both domestic and/or international migrants.

Two kinds of migrants can be distinguished: international and interregional. Both contribute to the growth of primary core cities, but in the semi-periphery world cities grow chiefly from interregional migration.

In one form or another, all countries of the capitalist core have attempted to curb immigration from abroad. Japan and Singapore have the most restrictive legislation and, for all practical purposes, prohibit permanent immigration. Western European countries have experimented with tightly controlled "guest worker" programmes. They, too, are jealous of their boundaries. And traditional immigrant countries, such as Canada and Australia, are attempting to limit the influx of migrants to workers possessing professional and other skills in high demand. Few if any countries

have been as open to immigration from abroad as the United States, where both legal and illegal immigrants abound.

In semi-peripheral countries, periodic attempts to slow down the flow of rural migrants to large cities have been notably unsuccessful. Typically, therefore, urban growth has been from 1.5 to 2.5 times greater than the overall rate of population increase, and principal (world) cities have grown to very large sizes. Of the thirty cities in Table 1, eight have a population of 15 ± 5 million and another six a population of 7.5 ± 2.5 million. Absolute size, however, is not a criterion of world city status, and there are many large cities even in the peasant periphery whose size clearly does not entitle them to world city status.

6. *World city formation brings into focus the major contradictions of industrial capitalism – among them spatial and class polarization.*

Spatial polarization occurs at three scales. The first is global and is expressed by the widening gulf in wealth, income and power between peripheral economies as a whole and a handful of rich countries at the heart of the capitalist world. The second scale is regional and is especially pertinent in the semi-periphery. In core countries, regional income gradients are relatively smooth, and the difference between high and low income regions is rarely greater than 1:3. The corresponding ratio in the semi-periphery, however, is more likely to be 1:10. Meanwhile, the income gradient between peripheral world cities and the rest of the national economies which they articulate remains very steep. The third scale of spatial polarization is metropolitan. It is the familiar story of spatially segregating poor inner-city ghettos, suburban squatter housing and ethnic working-class enclaves. Spatial polarization arises from class polarization. And in world cities, class polarization has three principal facets: huge income gaps between transnational elites and low-skilled workers, large-scale immigration from rural areas or from abroad and structural trends in the evolution of jobs.

In the income distribution of semi-peripheral countries, the bottom 40 per cent of households typically receive less than 15 per cent of all income and control virtually none of the wealth. These data refer to countries that, overall, have low incomes

when measured on the scale of a Western Europe or the US. In many of the primary cities of the core, however, the situation is not significantly better. In Los Angeles and New York, for example, huge immigrant populations are seriously disadvantaged. In the semi-periphery, the massive poverty of world cities is underscored by the relative absence of middle-income sectors. The failure of semi-peripheral world cities to develop a substantial "middle class" has often been noted. Although there are important salaried sectors in cities such as Buenos Aires, their economic situation is subject to erosion by an inflationary process that is almost always double-digit and in some years rises to more than 200 per cent! Middle sectors have also become increasingly vulnerable to unemployment.

The basic structural reason for social polarization in world cities must be looked for in the evolution of jobs, which is itself a result of the increasing capital intensity of production. In the semi-periphery, most rural immigrants find accommodation in low-level service jobs, small industry and the "informal" sector. In core countries, the process is more complex. Given the downward pressure on wages resulting from large scale immigration of foreign (including undocumented) workers, the number of low-paid, chiefly non-unionized jobs rises rapidly in three sectors: personal and consumer services (domestics, boutiques, restaurants and entertainment), low-wage manufacturing (electronics, garments and prepared foods) and the dynamic sectors of finance and business services which comprise from one-quarter to one-third of all world city jobs and also give employment in many low-wage categories.

The whole comprises an *ecology of jobs*. As shown in Figure 2, the restructuring process in cities such as New York and Los Angeles involves the *destruction* of jobs in the high-wage, unionized sectors (EXODUS) and *job creation* in what Saskia Sassen-Koob calls the production of global control capability. Linked to these dynamic sectors are certain personal and consumer services (employing primarily female and/or foreign workers), while the slack in manufacturing is taken up by sweat shops and small industries employing non-union labour at near the minimum wage. It is this structural shift which accounts for the rapid decline of the middle-income sectors during the 1970s.

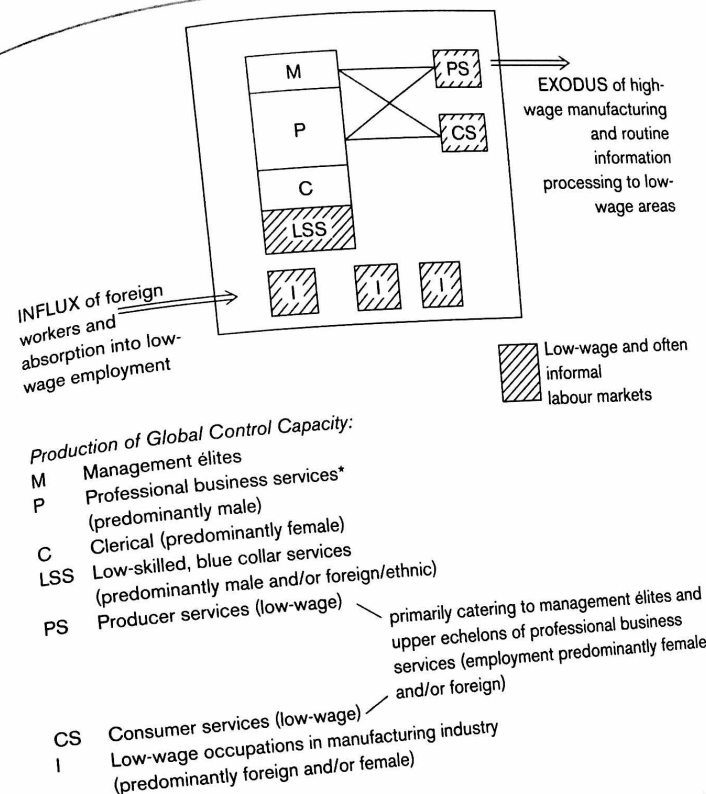


Figure 2 World city restructuring in core countries
* Many professional business services engage increasingly in international trade serving their clients, the transnational corporations, both at home and abroad. They include accounting, advertising, banking, communications, computer services, health services, insurance, leasing, legal services, shipping and air transport, and tourism. In 1981, US service exports equalled 50 per cent of merchandise exports and were still rising.

7. *World city growth generates social costs at rates that tend to exceed the fiscal capacity of the state.*

The rapid influx of poor workers into world cities – be it from abroad or from within the country – generates massive needs for social reproduction, among them housing, education, health, transportation and welfare. These needs are increasingly arrayed against other needs that arise from transnational capital for economic infrastructure and from the dominant Mites for their own social reproduction.

In this competitive struggle, the poor and especially the new immigrant populations tend to lose out. State budgets reflect the general balance of

political power. Not only are corporations exempt from taxes; they are generously subsidized in a variety of other ways as well. At the same time, the social classes that feed at the trough of the transnational economy insist, and usually insist successfully, on the priority of their own substantial claims for urban amenities and services. The overall result is a steady state of fiscal and social crisis in which the burden of capitalist accumulation is systematically shifted to the politically weakest, most disorganized sectors of the population. Their capacity for pressing their rightful claims against the corporations and the state is further contained by the ubiquitous forces of police repression.