Research Report for the Seminar on

Size is not the Answer
The Changing Face of the Global City

Prepared by CSC Senior Visiting Fellow

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With contributions from

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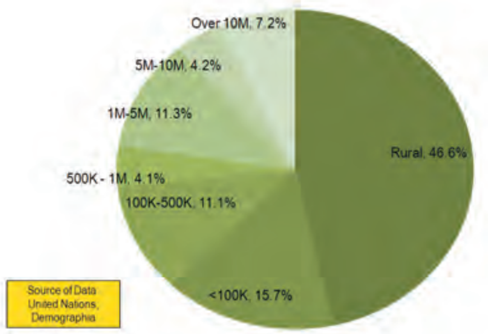
SIZE IS NOT THE ANSWER: THE CHANGING FACE OF THE GLOBAL CITY

INTRODUCTION

In this urban age, much has been written and discussed about global cities.[1] Yet, as the world urbanises and with more megacities (with populations of ten million or more) created, there is a growing need to re-evaluate which are truly significant global players and which are simply large places that are more tied to their national economies than critical global hubs. Similarly, it becomes more critical to consider the unique challenges faced by cities as they achieve world-wide status.

Urban Areas: World Population by Urban Area Size, 2014



The term "world city" has been in use since the time of Patrick Geddes in 1915. In 1966, Peter Hall published his seminal work "The World Cities". Hall's world cities were all predominant cities in existing key nation-states. Later, the concept of "global cities", based largely on concentrations of business service firms, emerged as the primary terminology describing such international centres.

Be it "world" or "global" cities, such cities have long based their pre-eminence on things such as cultural power, housing the world's great universities, research laboratories, financial institutions, corporate headquarters, and existence of vast empires and their extended legacy. They also disproportionately attracted the rich, and served as centres of luxury shopping, dining, and entertainment. These world cities have exercised outsized global influence in a system dominated by nation-states.[2]

As a result, the discussion of global cities has focused primarily on megacities such as New York, Paris, Los Angeles,[3] and Tokyo.[4] This is not surprising, since the population of the world's largest city has grown nearly six-fold since 1900 (London, in 1900, compared to Tokyo, in 2014).[5] Smaller cities, such as Dubai, Houston, or the San Francisco Bay Area,[6] have not been ranked as highly as they may have deserved.[7]

RETHINKING THE URBAN HIERARCHY

We believe the traditional approach has underestimated the overarching importance of a region's[8] role in technology, media or its dominance over a key global industry.

This new appraisal also stems from the declining power of nation-states in a globalised economy. In 1900, the capitals of empire—London, Paris, Tokyo, Berlin and St. Petersburg—were also the largest cities, the predominant centres of world trade and the exchange of ideas. The exception was non-government anomaly, New York, which has remained North America's premier city; in contrast, at least until recently, Washington was a relatively minor city.[9]

Today, we are in a period like that of the Renaissance and early modern Europe, where global activity gravitates towards small, more trade-oriented cities, for example, Tyre, early Carthage, Athens, Venice, Antwerp, and Amsterdam and the cities of the Hanseatic League (each home to less than 175,000 people). These cities, for which trade was a necessity, were tiny compared not only to Constantinople (700,000 people), but also London and Paris (more than twice as the trading cities). Similarly, the early trade hubs of Asia were often not larger imperial capitals—such as Kaifeng and later Beijing in China[10]—but smaller cities such as Cambay (India), Melaka (Malaysia) and Zaitun (now Quanzhou in China).[11]

We are seeing smaller, focused urban regions that are achieving more than most larger cities. Compared to many of their larger counterparts, new and dynamic global cities, such as Singapore, Dubai, Houston and the San Francisco Bay Area, have become more influential in the world economy, as measured by critical factors like technology, media, culture, diversity, transportation access and degree of economic integration in the world economy. This "archipelago of technologically high developed city regions", notes urban geographer Paul Knox, are replacing nation-states as emerging avenues of economic power and influence.[12]

These new global hubs thrive not primarily due to their size, but as a result of their greater efficiencies. This can be seen in the location of foreign subsidiaries. For example, compared to Tokyo, Singapore now has more than twice as many regional headquarters; Singapore and Hong Kong also perform far better in this respect than Asia's numerous, much larger but less affluent megacities.[13] Global hubs are helped by their facility with English—the world's primary language of finance, culture, and, most critically, technology. English dominates the global economic system from New York and London to Hong Kong, Singapore and Dubai. This linguistic, digital and cultural congruence poses concerns for major competing cities, including those Russia and mainland China.[14]

THE JUST CITY VERSUS THE LUXURY CITY

These merging global hubs have many unique assets, but are they, in Susan Fainstein's terminology, also "just cities"?[15] Since the late Enlightenment, great cities, often built around markets, were typically places not just for the rich and their servants, but also for the aspirational middle and lower classes. A great city, wrote Rene Descartes in the 17th century, represented "an inventory of the possible",[16] a place where people could create their own futures and lift up their families. In early 19th century New York, artisans and small shopkeepers provided the "reservoir of people" who achieved land-owning status and could afford spacious places to live.[17] The ability to rise in cities, from North America to Europe to Asia—through what Peter Hall calls "this unique creativity of great cities"[18]—stands as one of the great social achievements of modern times.

But with increasingly powerful oligarchies and growing inequality, some cities have become less attractive to the successful, talented and wealthy. Not surprisingly, global hubs, even the most prosperous ones, are often subject to larger disparities between their very wealthy elites and the vast majority of their population. This is clearly true in the United States, where the highest degree of inequality can be found in its premier global city, New York, as well as its prime competitors—Chicago, Los Angeles, and the San Francisco Bay Area.

These global cities reflect a new model of urbanism that sees the city as what former New York City Mayor Michael Bloomberg calls "a luxury product", a place that focuses on the very wealthy.[19] This approach rests on a simple economic formula: please and lure the ultra-rich, so that with the surplus wealth they generate, you can then serve the rest of the population. "If we can find a bunch of billionaires around the world to move here, that would be a godsend", Bloomberg, himself a multi-billionaire, suggests. "Because that's where the revenue comes to take care of everybody else."[20]

Bloomberg's view is particularly reflected in New York and London, where an economy, based in large part on serving the wealthy, has developed. This is what economist Ajay Kapur calls a "plutonomy",[21] an economy and society driven largely by the very rich.[22] This has been amplified by the nature of the global recovery from the Great Recession which has particularly benefited those with inherited wealth, as the returns on capital have surpassed those of labour.[23]

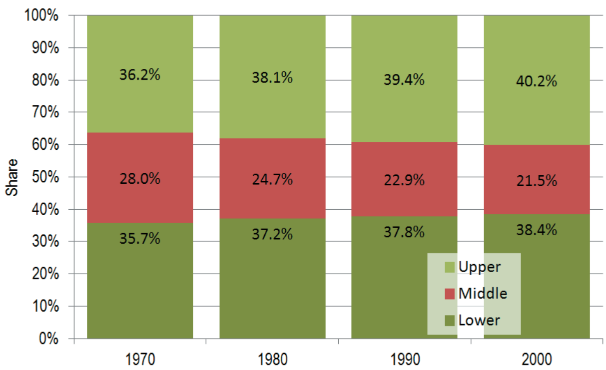
Not surprisingly, the luxury cities—that is, the affluent parts of certain metropolitan areas—tend to boast areas with the highest concentrations of inherited and rentier wealth in the nation, as well as some of the greatest concentrations of poverty. According to an analysis of census data by Mark Schill of Praxis Strategy group, New York County (the island of Manhattan) was among the leader in asset-based wealth while the Bronx, just across the Harlem River, ranked at the bottom.[24] This inherited wealth is increasingly diffused among multiple cities as members of the expanding ranks of the ultra-rich purchase apartments in numerous locations.[25]

This wealth effect has tended to accentuate inequality just as the middle class in cities like New York has shrunk over the past three decades; Manhattan, the densest and most influential urban environment in North America, also exhibits the most profound level of inequality and bifurcated class structure in the United States. In 1980, Manhattan ranked 17th among the nation's more than 3,000 counties in income inequality; by the mid-2000s, it ranked first, with the top fifth of households earning 52 times more than that of the lowest fifth, a disparity roughly comparable to that of Namibia. Manhattan's GINI index now stands higher than that of South Africa before its Apartheid-ending 1994 election. If Manhattan were a country, it would rank 6th highest in income inequality in the world, out of more than 130 countries for which the World Bank reports data. New York's wealthiest 1% earns a third of the entire municipality's personal income, almost twice the proportion for the rest of the country.[26]

As a result of changing economic conditions, there is now a greater disparity in core cities like New York, Chicago and Los Angeles than in most American communities. This is particularly evident in the city of New York. In the Bronx, New York State's most heavily populated Latino county, roughly one in three households live in poverty, the highest rate of any large urban county in the nation.[27] In increasingly expensive Brooklyn, nearly a quarter of residents—mainly African-American and Latino—live below the poverty line. While the wealthy shop at artisanal cheese shops and frequent trendy restaurants, one in four Brooklynites receives food stamps. Even as the elite economy "boomed", New York, in fact, experienced the biggest increase in the numbers of homeless in the nation, with the number of children sleeping in shelters rising steadily.[28]

This makes it all the more understandable how, despite the city's relatively strong recovery from both 9–11 and the recession, the strident populist campaign of New York City Mayor Bill deBlasio gained such wide support.[29] But this problem of inequality can be seen as well in other core cities and suburbs in the United States.[30] Inequality is generally largest in the core municipalities outside the areas of suburban development.[31] Further, research by the Brookings Institution indicates a quarter drop in the share of middle income families from 1970 to 2000 in the 100 largest metropolitan areas.[32] While some middle income families entered higher income, the share of lower income households increased 8%. Things worsened in the last decade, with a significant reduction in the median household income, which a Pew Research Center report characterised as "The Lost Decade of the Middle Class."[33] Rising inequality also plagues metropolitan areas. Using recent census data, University of Washington demographer Richard Morrill demonstrated that the highest levels of inequality tend to be found in larger metropolitan areas such as New York, Los Angeles, Houston and Miami.[34]

Families by Income Level as a Share of All Families, 1970–2000



FORCES DRIVING GREATER INEQUALITY IN GLOBAL CITIES

The primary sectors now driving key urban areas—high technology, media and financial services—are far less reliant on the mass mobilisation of both skilled and unskilled labour than manufacturing, trade, logistics or even routine business services.[35] This pattern can be seen in other global cities in other countries as well. At the same time, in many countries, formerly higher wage blue and white-collar employment has shifted to the suburbs or smaller cities.[36]

This represents a natural transition that has been evolving for decades. Manuel Castells, writing as early as in the 1980s, believed that an "informational city" would generate nodes of prosperity that communicated largely among themselves while shunning the rest of the metropolitan areas.[37] The local metropolitan population, historically a key source of customers and workers for major businesses, now has a "decreased relevance" for the more elite nodes. Overall, the benefits of "post-industrialism", as seen in New York, would, unlike prior periods of growth, be concentrated in selected metropolitan areas instead of the country as a whole.[38]

This transformation is particularly marked in London, an archetypical international hub. There has been a considerable London renaissance, marked by the revival of previous working-class areas such as Shoreditch, Islington and Putney. Yet, at the same time, the economy and demographics of the city have become increasingly bifurcated between a post-industrial elite and a growing underclass. As author James Heartfield observes: "The vacated shells of industrial London were turned into expensive houses or art galleries. With rising home prices it was working class London that was being driven into the suburbs."[39]

London may have among the highest concentration of billionaires than any other city, but it (i.e., Greater London Authority) also suffers the *highest* incidence of child poverty in the United Kingdom, even more than the beleaguered North-East of Britain.[40] Poverty also affects 30% of working age adults and over one-third of pensioners in inner London, and roughly one in five in outer London. The inner London rates are among the worst in Britain, with 28% of the population living in poverty, well above that of the rest of the country.[41]

Even many of the lower-end service jobs in restaurants, construction and retail have not redounded to the benefit of the native-born in Britain; more than 70% of the jobs created between 1997 and 2007 in the United Kingdom went to foreigners. London was the prime destination for the newcomers into Europe. Indeed, economist Tony Travers, from the London School of Economics, estimated that during the last decade, London received more immigrants, many from the European Union, than New York or Los Angeles.[42]

These phenomena can be seen, if not as dramatically, in the global cities of China, Japan, and even Singapore. In traditionally egalitarian Toronto, recent projections for that region show a strong increase in the population of wealthy individuals and an even stronger increase in the population of the poor, while the middle class is expected to decline significantly. A recent study of Toronto, for example, found that between 1970 and 2001, the proportion of middle income neighbourhoods in the core city had dropped from two-thirds to one-third, while poor districts had more than doubled to 40%. By 2020, according to the University of Toronto, middle-class neighbourhoods could fall to barely less than 10%, with the balance made up of both affluent and poor residents.[43]

In many ways, the growth of poverty in global cities and the decline of the middle class reflect how the global city diverges from Fainstein's concept of "the just city". A critical factor here is the bifurcation of employment between very high wage occupations and a growing service class, many of whom earn their living as nannies, restaurant workers, dog-walkers, for example. A recent study by the Center for an Urban Future notes that over one-third of workers in New York labour in low-wage service jobs, a percentage that has increased steadily through the recovery.[44]

Besides the aforementioned shift in the economic structure, there is also the influence of cost, particularly housing, which is caused in part by foreign investors and compounded by land use regulations that severely restrict housing supply. House price-to-income ratios have reached astronomical levels in cities like Hong Kong, the San Francisco Bay area and London.[45] This will be addressed later in greater detail.

This pattern presents even successful global cities with challenges in serving their own population. Increasingly, the core, and often many more desirable suburbs, of global cities such as New York, San Francisco, London, Paris and other cities—where cost of living has skyrocketed—are no longer places where one goes to be someone; they are where you live when already successful or living on inherited largess. They are, as journalist Simon Kuper puts it, “the vast gated communities where the one percent reproduces itself”.[46]

THE CHALLENGE TO EMERGING MEGACITIES

Many megacities in the developing world are growing rapidly, roughly three times as fast as those of high-income countries. Indeed, most of the world’s largest cities are now in the developing world.

However, despite their massive size, these cities, for the most part, are not yet critical hubs for global technology, finance and business services. Their relative weakness, compared to their scale, can be measured by such things as the number of business travellers, accumulation of capital resources, investment by foreign entities, an educated population, and attraction of skilled foreigners. For example, A. T. Kearney supplemented its *2014 Global Cities Index* with an “Emerging Cities Outlook”. This ranking gauged the potential for cities outside the high income world, to “improve their global standing” over the next 10 to 20 years. Jakarta, Manila, Delhi and Addis Ababa ranked in the top four positions and Karachi ranked last in the list (34th).[47] Over time, some of these cities may move up in the rankings, but analysts such as those at McKinsey, do not project that any will stand among the top ten global cities by 2025.[48] These cities are often very important to their countries, aided by political centralisation, but none have come close to collecting the critical assets necessary for becoming a global city.[49]

It may well be the sad truth that many of the emerging megacities may have arrived on the scene too late, and face the consequences of a game that has profoundly changed. In contrast, some of the best positioned players are often much smaller in population but have become more critical to the flow of global commerce, ideas and technology.Increasingly, the key formula is not about achieving size, but efficiency. Increasingly, it is things like good direct plane connections, high-speed internet and other modern infrastructure that are most critical for integrating into the global economy.

Top 10 Global Cities and 10 Largest Cities, 2014

MEASURING GLOBAL CITIES

Any attempt to measure the importance of global cities must confront the changing nature of the post-industrial economy and the new technologies of communication. Our rankings differ from other global cities surveys because we focus on criteria that are directly relevant to a city’s global economic impact and power, and have a much broader range off actors than just producer services. There are other ways to measure cities, but when discussing the concept of the “global city”, global economic power is the *sine qua non* ingredient. (See Appendices A, B, and C for the entire list of ranked cities, methodology, and summary of findings.)

Changing Face of the Global City—Top 20 Rankings

1	London
2	New York
3	Paris
4	Singapore
5	Tokyo
6	Hong Kong
7	Dubai
8	Beijing
8	Sydney
10	Los Angeles
10	San Francisco Bay Area
10	Toronto
13	Zurich
14	Frankfurt
14	Houston
16	The Randstad
16	Seoul
16	Washington Metropolitan Area
19	Shanghai
20	Abu Dhabi
20	Chicago

Perhaps most critically, our method reflects a different appraisal of the role of business service. Ever since the publication of Saskia Sassen's 1991 book *The Global City: New York, London, Tokyo*,[50] the global city has been defined largely as those that supply critical specialised financial and producer services to help corporations optimise complex, far flung production networks. The production of these specialised services requires unique skills and experience. In this view, global cities are "command and control" nodes of the global economy, and relate to global economic flows, not nation-state systems. What's more, because of the unique industrial heritage of each city, the "deep knowledge" required to support these advanced financial and producer services differs from city to city, so the type of services varies as well.[51]

The model used by the "Globalization and World Cities" project at Loughborough University is based on Sassen's concept. They rank networks of cities, based on branch office networksof the top 25 firms in accountancy, law, advertising, and management consulting, as well as the top 75 firms in banking and finance. This allows them to draw connectivity maps and quantitatively identify the key strategic nodes.[52]

This analysis, however useful, fails to distinguish between global and non-global activities. Most major companies operate globally today, but can perform many generic tasks, even in business services, from a host of different locales. For example, an accounting firm may be auditing a company that operates in multiple countries, but how much of that audit consists of specialised deep knowledge related to globalisation per se versus the more routine (albeit still high value) auditing work that has already been done? The internal controls audits required by the US Sarbanes-Oxley Act may involve operations around the globe, but in this task, there is no knowledge unique related to globalisation. Work here can be done in a developing country or even a second-, or third-tier city in the developed world.

Also, given that services related to globalisation are highly specialised, it seems reasonable to hypothesise that many of them are being delivered through specialised or boutique services firms rather than major, diversified concerns. Industries such as entertainment, technology, media and arts all depend heavily on smaller firms and sole proprietors which tend to cluster in areas that specialise in a particular field. These include many of the critical players—actors, directors, app writers, oil geologists, financial consultants—who tend to cluster in those places that provide the best marketplace for their services.[53]

This financial and producer services view of global cities has shaped the approach of the academic world, as in the Loughborough example. In the popular press, over time, it morphed into a concept much closer to Peter Hall's, albeit stripped of the nation-state trappings. For example, the Global Cities Index created by consultancy A. T. Kearney, in conjunction with the Chicago Council on Global Affairs (and heavily featured in *Foreign Policy*), includes criteria such as corporate headquarters, number of embassies and consulates and diverse culinary establishments.[54]

Other surveys measure different things and weigh factors that we do not consider intrinsically critical. For example, the Mercer Quality of Living Survey and the Monocle Quality of Life Survey are focused on lifestyle in the city. These surveys frequently rank smaller cities such as Vienna (1st in the Mercer survey) and Copenhagen (1st in the Monocle survey) very highly, but these are generally not the most important or dynamic business hubs. It is notable that Monocle's and The Economist's headquarters remain in London, despite the city's low score in quality of life rankings. Clearly, there is a difference between ease of living and economic dynamism.[55]

Other surveys such as the Economic Intelligence Unit's (EIU) Global Cities Competitiveness Index[56] or the A. T. Kearney/ Chicago Council on Global Affairs/Foreign Policy Global Cities Index include more economic-based criteria. However, these surveys often focus on general measures that are not necessarily tied specifically to global economic activity. Notably, these surveys often focus on raw size measures that do not properly distinguish global versus domestic activity. For example, the EIU survey includes total gross domestic product (GDP). This is an important metric but fails to capture whether GDP is generated from global economic activity or from serving domestic markets. Large, developed world cities that are mostly domestic in their economic orientation would be overrated here. Also, other non-economic metrics may be included. The A. T. Kearney survey, for example, includes the number of highly rated restaurants and the number of sporting events, which measure cultural items.[57]

These types of analyses are clearly valuable in their own right, but our belief is that specifically, global economic power and activity have been underrated in these surveys apart from the Loughborough University rankings. We believe their concept of producer services is valid and have incorporated this dimension into our rankings. However, we believe a focus on producer services is too narrow a view of the global city, so we include a broader range of criteria.

TRACKING THE RISE OF EFFICIENT AND "NECESSARY" CITIES

Rather than focusing on counting business service providers, size of an economy, or national influence, we believe that efficient, technologically advanced and dynamic regions are those uniquely situated to navigate the global transition to an information based economy. Financial and other business services remain important, but more critical to the future are the influence of industries such as media, culture or technology. Technology and media, for example, dominate much of commerce and shape perceptions internationally. Those locales that dominate such activities possess an influence that is truly global in nature.

This pertains particularly to cities that have become what one may call “necessary”, that is, they are primary nodes of a particular activity that compels people in that industry to interact, and often to set up operations, in these places. Good examples are highly ranked cities that include Los Angeles (for entertainment), Houston (for energy), San Francisco Bay Area (technology) and New York, Hong Kong, Singapore and London (for financial services). All these cities rank high in our assessment, and all enjoy high levels of income.

The World According to the Globalization and World Cities (GaWC) Research Network, 2012

Cities are assessed in terms of their advanced producer services using the interlocking network model. Indirect measures of flows are derived to compute a city’s network connectivity–this measures a city’s integration into the world city network.

Alpha++ Cities	In all analyses, London and New York stand out as clearly more integrated than all other cities and constitute their own high level of integration. London New York
Alpha+ Cities	Other highly integrated cities that complement London and New York, largely filling in advanced service needs for the Pacific Asia Hong Kong Paris Singapore Shanghai Tokyo Beijing Sydney Dubai

In Order
From: Globalization and World Cities Research Network
http://www.lboro.ac.uk/gawc/index.html

Industries like finance, high technology, energy, and fashion operate largely globally. From an industry-specific point of view, traditional corporate headquarters are a valid measure of global “command and control” of key global networks, as are traditional supply chain relationships. For example, the San Francisco Bay Area, headquarters for the largest concentration of cutting edge tech firms in the world, plays a profound role in how globalisation works, particularly since its innovations increasingly shape how companies from manufacturing and retail to media operate. Indeed, according to the Startup Genome, Silicon Valley ranks number one in the world in its startup ecosystem, as it has historically. That speciality, however, is beginning to spread to other cities.

Figure 6. Global Startup Ecosystem Index 2012

1.	Silicon Valley
2.	Tel Aviv
3.	Los Angeles
4.	Seattle
5.	New York City
6.	Boston
7.	London
8.	Toronto
9.	Vancouver
10.	Chicago
11.	Paris
12.	Sydney
13.	São Paulo
14.	Moscow
15.	Berlin
16.	Waterloo (Canada)
17.	Singapore
18.	Melbourne
19.	Bangalore
20.	Santiago

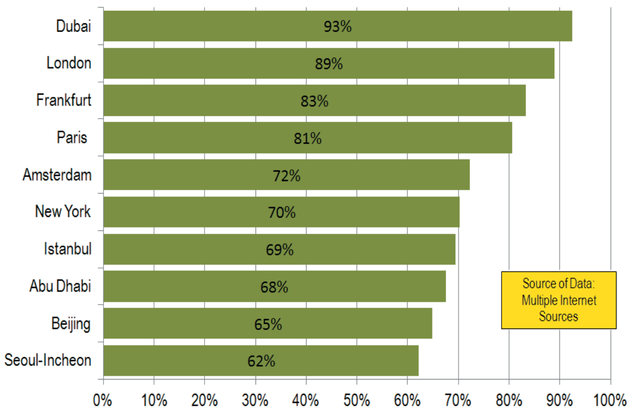
Although the Bay Area dominates this critical field, other cities on our list show surprising tech strength, including the Seattle area. Another surprising entrant is Tel Aviv, reinforcing Israel’s status as a “startup nation”, as well as Singapore, the preferred regional base for many top technology firms. Critically, none of these emerging regions are large enough to be considered a megacity at this stage; in fact, they would be considered mid-sized in heavily populated, urbanised places like Japan, not to mention mainland China, where there are 13 cities that are larger than the efficient city of Singapore.[58]

PHYSICAL CONNECTIVITY

Other critical factors for global cities include such things as global connectivity, that is, how easy it is to get from one city to other cities around the world. To qualify as a “connected” city, we included cities that had at least three weekly non-stop flights to cities outside their regions.

The most “connected” cities, according to our analysis, are Dubai, London and Frankfurt. Most other top global cities also enjoy strong levels of connectivity, including New York and Paris. Although being a hub for air travel does not necessarily create a global city, it is critical to many businesses that function on an international level. Some of these “airplane cities”, notes analyst John Kasarda, have developed their own version of airport-based “business districts” focused heavily on international trade.[59]

World City Airline Connectivity: Top 10 World Cities



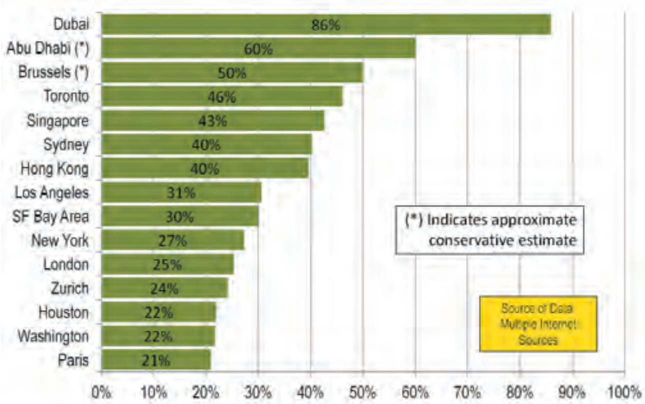
This measurement of connectivity is critical to measuring the relative importance of global cities over time. Airports that have expanded international traffic, such as Dubai, Beijing and Abu Dhabi, can be seen as ascendant. Airline connections tend to help those areas most convenient to major global routes—for example, London or Dubai—and are less favourable to distant locations, such as the cities of South America (i.e., São Paulo and Buenos Aires), which are too far for non-stop flights from East Asia with today's aircraft.[60]

HUMAN CONNECTIVITY

Another kind of connectivity—the human one—is arguably just as important. In their period of ascendency, Athens, Rome, Constantinople, Baghdad, and later, Venice and Amsterdam were unique in the broad diversity within their cities. By the 17th century, for example, roughly 45% of Amsterdam's population was foreign-born, largely from Germany as well as Jews and Christian dissenters from primarily Catholic countries.[61] In a world of sharp racial and religious prejudice, cities such as Venice and Amsterdam, noted the French historian Fernand Braudel, offered outsiders a "haven of comparative security". "The miracle of toleration was to be found", he observed, "wherever the community of trade convened".[62]

This pattern persists in many global cities today. In some, like Dubai, the workforce is primarily made up—at both the low and higher levels—by foreigners. Among Asian cities, Singapore has a foreign-born population estimated at 42.6%.[63] The London and Paris regions are now over 20% foreign-born. A number of key North American metropolitan areas—notably Miami, Los Angeles, New York, Houston, Toronto, and Chicago—have a foreign-born population estimated at between 15% and 50%. Sydney's foreign-born population is also high, at 40.1%, while Melbourne's is 36.7%. In contrast, less than 2% of Tokyo's population is foreign-born, while Seoul, Shanghai, and Beijing are made up primarily of nationals, although, as in the case of virtually all large developing world cities, many originated from the countryside or smaller cities.[64]

Top 20 Global Cities with More Than 20% Foreign-Born Population



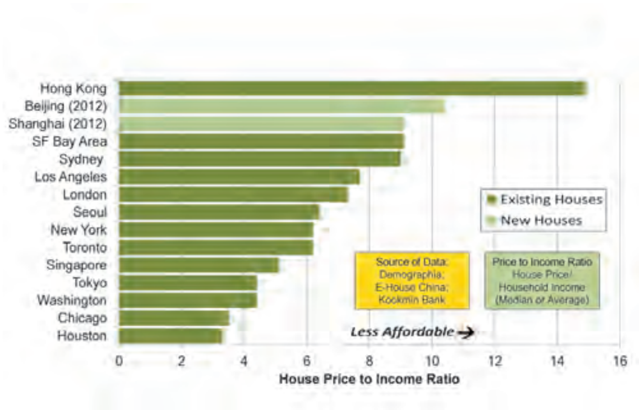
The foreign-born component, like any of the individual measurements, has to be considered in context. In some cities, notably in the English-speaking countries, foreign workers and managers play a critical role, and are generally integrated into the urban economy. In contrast, in regions such as Dubai-Sharjah, where approximately 85% of the population is foreign-born, or Jeddah, where roughly half of the population is foreign-born, much of the immigrant population is low-skilled and temporary. These regions offer little chance even for highly skilled newcomers to assume citizenship or even permanent residency.

GLOBALISATION AND ITS DISCONTENTS

The rewards of being a truly globalised city can be enormous. In a smaller, highly specialised city like Dubai, the San Francisco Bay area or Singapore, it means, among other things, more diverse cultural amenities, better food and a concentration of luxurious facilities than in other cities of a similar or larger size.

However, globalisation brings with it attendant distortive impacts. Property price is an area where all but wealthy locals get pushed out of the market, at least in the more desirable neighbourhoods. Rapidly rising housing costs is not just restricted to one country, but tends to spread globally, particularly impacting global cities.[65] For example, although house prices in affordable markets tend to average three times household incomes (price to income ratio), data for the top ten global cities tend to be much higher.[66] For young people in areas such as London, the possibility of home ownership has begun to evaporate, not due to preference, as some have suggested, but "by necessity."[67]

Housing Affordability: Top 20 Ranking Cities, 2013 (where data is available)



This pressure on prices in the global cities has been exacerbated by investment from other parts of the world, notably China, the Indian diaspora, and the Middle East. Asian financial institutions are looking to place $150 billion in real estate assets, much of it to our most highly ranked cities such as London (1st) and New York (2nd) as well as Dubai (7th) and Sydney (8th, in a tie with Beijing) , which has long attracted Asian investment.[68] In New York, Chinese investors are looking to invest in Brooklyn's expansion as well. London used to worry about their housing and commercial markets being inflated by property investors from the Middle East as well as South Asia, but now concern is focused increasingly on the impact of wealthy people from China. There is also a trend for the rich to buy multiple residences, so a pied-à-terre in Manhattan, Singapore, Shanghai, London or Miami is commonplace.

In some New York luxury buildings, less than one in ten are full-time residents; for most, the Manhattan condo or Brooklyn townhouse is just one of several places scattered around the world.[69] Similarly, London prices are being pushed up primarily by Asian buyers, who can purchase two-thirds of the city's newly built houses and are primary players in the massive densification of this city.[70]

Another challenge grows out of the pushback for densification of already crowded urban areas. Many cities, from New York and London to Bangkok and Istanbul, have experienced strong street protests over plans to increase densities in and around their urban core cities. The fact that this development is tied to foreign capital or transient wealthy residents often exacerbates these resentments. As Canadian urbanist-journalist Lloyd Alter laments: "But what are we getting when we throw away height limits and barriers to development, stop worrying about shadows and views, and let the developers loose? Also importantly, **who** are we getting?"[71]

The impact of rising prices and the push for density clearly reshape societies. The most globalised cities, particularly in the fashionable inner core,are becoming increasingly childless, as seen in Manhattan, where half of households are single[72] or the city of San Francisco,[73] where there are now 80,000 more dogs than children.[74] Similar trends can be seen in London, Paris, Tokyo, Hong Kong and other top global cities, where the high cost of living is driving many middle income families away. In fact, due to high prices, some 45% of Hong Kong's middle class couples have abandoned the idea of having children.[75]

Recent experience in the San Francisco Bay Area reflects how a concentration of wealthy individuals affects local residents in disturbing ways. Within the San Francisco Bay Area, the core city of San Francisco has become particularly popular with younger employees of some of the world's largest information technology firms, such as Google, and Facebook. These firms now provide luxury bus services from the city to their corporate headquarters, located 50 kilometres (30 miles) or more away, in the suburban surroundings of Silicon Valley. "Google buses", ferrying workers from San Francisco to Silicon Valley, have been targets of demonstrations and were sometimes blocked (at least temporarily) from completing their routes. The demonstrators are concerned about how the influx has driven up demand for housing and rent, making the city more costly for those who have lived there for years.[76]

The city of San Francisco has also witnessed a backlash against more intense development along its waterfront. In 2013, voters overwhelmingly approved a proposition banning a high rise structure along the bayfront.[77] In Los Angeles, community opposition in the Hollywood district was successful in convincing a court to block a city plan for more dense development. The community continues to fight a high-rise project that would be far taller than any other in the vicinity.[78] Opponents are concerned about the new development, out of character with the existing urban form.

Property prices and development pressures represent just one aspect of how globalisation impacts the native working and middle class. As the globalised economy often favours the employment of the very skilled, and those who serve them, many middle management jobs move to other, less pricey places—from Sioux Falls, South Dakota to smaller metropolitan areas of India and virtually anywhere else—thus reducing mid-income employment and middle class populationsin the global city.[79]

This leaves primary global cities as centres for both concentrated wealth and high levels of poverty, as seen in London, New York and other major global cities.[80] These trends could shape the future of cities both socially and politically. In New York, the election of Bill deBlasio as Mayor reflected the concerns of the working and middle class Gothamites that they were becoming superfluous in a town that many could no longer afford.[81] As prices rise, and new towers obscure what were once low-rise views, the middle and even upper middle classes, including young families, begin to flee the urban core, and often the expensive regions entirely.[82] Between 2000 and 2009, a net 3.2 million domestic migrants deserted the most expensive US metropolitan areas—areas with over 1 million residents, that reached a median multiple (median house price divided by median household income) of 4.5 or more—for other parts of the country.[83]

There is also an important cultural component. Global cities may dominate the world's media but they also tend to overwhelm local culture, whether British or Singaporean. Long-standing traditions, family ties and local affiliations seem to be lost in the onrush of ambitious people from elsewhere. A few places, such as Sharjah (a suburb of Dubai in the United Arab Emirates), consciously plan to appeal to more conservative families who might dislike the bright lights and distractions of a more globalised city, but this seems to be something of an exception.[84]

Ultimately, in many global cities, the question becomes: Who are we? By appealing to cosmopolitan tastes, these global centres tend to evolve into what architect Rem Koolhaas labels "the generic city". Koolhaas took particular aim at Singapore as "a city without qualities" and a "Potemkin metropolis".[85] This trend can be discerned in almost any global city. After all, a Tommy Hilfiger chain store in Causeway Bay, Hong Kong is pretty much like any other store in Singapore's Orchard Road, New York's Fifth Avenue or London's Regent Street. Yet, for independent merchants in global cities—with the most expensive rent being in Hong Kong, New York, Paris, and London—the price of being there is often too much to bear.[86]

Not surprisingly, some residents of global cities struggle to preserve something of their local culture. They are worried about losing "the soul" of the city that is tied increasingly to globalised capital, migration and tourism.[87] At the same time, these pressures have also inspired more dangerous reactions, notably nativism, and a growing chasm between guest workers and residents. This has become something of a political issue even in the most cosmopolitan cities such as London, Singapore and the Dutch cities of the Randstad.[88]

The fundamental challenge of the global city lies in accommodating two identities, a global and a local one. As the Roman writer Seneca wrote, citizens live with "two commonwealths—the one, a vast and truly common state, which embraces alike gods and men, in which we look neither to this corner of earth nor to that, but measure our city's bounds by the path of the sun; the other to which we have been assigned by birth."[89] The global city demands cosmopolitan aspects, but it also needs grassroots business based on family and neighbourhood—what Hong Kong scholar Siu-Kai Lau labelled "utilitarianistic familialism".[90]

The future success of global cities will depend largely on how it serves these "two commonwealths", the expansive and the familial. To work as a great global city, it is critical to serve both global business and the local economy, taking into account the needs of its local residents. The world beckons, and must be accommodated, but a city must be more than a fancy theme park, or a collection of elite headquarters and expensive residential towers. It needs a middle class and a working class, not just the global rich and their servants. It needs families and ordinary residents who may rarely leave town, not just globetrotting individuals. It needs to be true to itself and the people who, in the first place, created these special places.

ENDNOTES

1. Global cities refer to entire metropolitan areas (labour market areas), which represent the functional economic definition of cities. Thus, New York refers not only to the well-known core of Manhattan, but also economically connected areas, such nearby Westchester County or more distant Pike County, Pennsylvania. London includes not only the city, but also outside the greenbelt, exurban communities such as Milton Keynes or Crawley. Hong Kong extends well beyond Central to include new towns like Sha Tin, Yuen Long and Sheung Shi. Metropolitan areas cross international or administrative boundaries (such as Hong Kong–Shenzhen) only where border controls permit free movement of labor, such as within the European Union.

2. http://www.lboro.ac.uk/gawc/rb/rb423.html

3. Los Angeles and Orange Counties.

4. Tokyo refers to the metropolitan area that stretches across the four prefectures of Tokyo, Kanagawa, Saitama and Chiba (not to be confused with the Tokyo "metropolis", which refers only to the prefecture of Tokyo).

5. In 1900, London had a population of 6.5 million [Tertius Chandler and Gerald Fox, *Three Thousand Years of Urban Growth* (New York: Academic Press, 1974) 320, 482; Philip D. Curtin, *Cross-Cultural Trade in World History* (Cambridge, UK: Cambridge University Press, 1984)] compared to Tokyo's 2014 population of 37.6 million (http://www.demographia.com/db-worldua.pdf).

6. The San Francisco Bay Area (combined statistical area) includes the adjacent metropolitan areas of San Francisco and San Jose as well as adjacent smaller metropolitan areas (Santa Rosa, Napa, Vallejo, Santa Cruz and Stockton).

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Survey (http://www.demographia.com/dhi.pdf). Beijing's and Shanghai's data are broadly estimated from new house price-to-income data published by E-House China for new houses (http://src.fangchan.com/zhongfangwang/zhongfangwang/data/2013/09/yiju10.pdf). Since new houses tend to be more costly than existing houses, the median multiples for Beijing and Shanghai could be lower (Beijing and Shanghai could be more affordable than shown). Seoul data is from Kookmin Bank.

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Appendix A: How We Ranked Global Cities

City	Region	Rank
London	Europe	1
New York	North America	2
Paris	Europe	3
Singapore	Asia-Pacific	4
Tokyo	Asia-Pacific	5
Hong Kong	Asia-Pacific	6
Dubai	Middle East	7
Beijing	Asia-Pacific	8
Sydney	Asia-Pacific	8
Los Angeles/Orange County	North America	10
San Francisco Bay Area	North America	10
Toronto	North America	10
Zurich	Europe	13
Frankfurt	Europe	14
Houston	North America	14
Amsterdam/Randstad	Europe	16
Seoul	Asia-Pacific	16
Washington Metropolitan Area	North America	16
Shanghai	Asia-Pacific	19
Abu Dhabi	Middle East	20
Chicago	North America	20
Moscow	Europe	20
Boston	North America	23
Brussels	Europe	23
Dallas-Fort Worth	North America	23
Madrid	Europe	23
Melbourne	Asia-Pacific	23
São Paulo	South America	23
Istanbul	Middle East	29
Miami	North America	29
Johannesburg	Africa	31
Kuala Lumpur	Asia-Pacific	31
Mumbai	Asia-Pacific	31
Bangkok	Asia-Pacific	34
Delhi	Asia-Pacific	34
Geneva	Europe	34

City	Region	Rank
Atlanta	North America	37
Berlin	Europe	37
Seattle	North America	37
Tel Aviv	Middle East	37
Mexico City	North America	41
Milan	Europe	41
Montreal	North America	41
Buenos Aires	South America	44
Jakarta	Asia-Pacific	44
Philadelphia	North America	44
Cairo	Middle East	47
Guangzhou	Asia-Pacific	47
Ho Chi Minh City	Asia-Pacific	47
Lagos	Africa	47
Osaka	Asia-Pacific	47

Appendix B: Methodology

Cities were assessed based on eight categories:

Air Connectivity
Coverage of global markets by air, which measures both access to global markets and demand for global flows between locations.

Diversity
Foreign-born population of cities, as proxy for global labour force.

Foreign Direct Investment
Attractiveness of cities to global investors.

Corporate Headquarters
Importance of cities as a location for the headquarters of major global companies.

Producer Services
Importance of cities in the networks of major services firms in key industries.

Financial Services
Importance of city as a global financial centre.

Technology and Media
Importance of city as global technology and media hub. Economic media power also can serve as a rough proxy for cultural impact.

Industry Domination or Hub Status
Importance of city as a strategic location or hub (a “necessary city”) for key global industries not otherwise measured above.

Appendix C: Summary of Findings

Much has been written about the emergence of powerful new cities, particularly in East Asia, but it is critical not to overlook the enormous power of historical inertia. “It is inevitable”, a manager at Shanghai’s Guotai, a large Chinese investment bank, boasted to the *Washington Post*, “that we will take the US’s place as the world leader”.[1] Yet, it will be a long time, perhaps decades or even longer, before any city on the Chinese mainland even approaches the global influence of the long-established global hubs.

For example, London (ranked 1st in our survey; see *Appendix A*), along with New York, still sits atop the list of global cities. No other place is close to either of these great cities in our rankings. They possess mostly everything—power in finance, great global connectivity, diversity, a powerful media—that expresses global influence in a depth unmatched anywhere else.

Not coincidentally, London was also the first global city, its ascendency due to its status as capital of the British Empire, which included its historic island core, its English-speaking colonies and vast territories.[2] Today, that legacy, if not the power of Britain, remains intact, particularly its unparalleled legacy as a global financial capital, a preferred locale for the global rich and as the historic home of not only the English language, but the cultural, legal and business practices that define global capitalism.[3] London is ranked 1st or 2nd in every global city survey, including ours, and is most often ranked 1st, ahead of New York. Known as a dominant global financial centre—first in the world according to the 2014 Global Financial Centers Index[4]—London not only has a long history as such, but its location outside of the United States and the Eurozone keeps it away from unfriendly regulators. Compared to New York, London’s time-zone is more advantageous for dealings in Asia, and it has the second best global air connections of any city outside of Dubai.

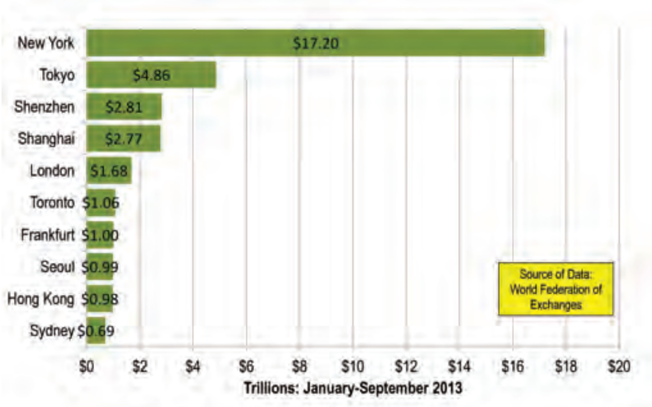
Critically, London is also a media hub, a major advertising centre, and home to the BBC, *The Financial Times* and *The Economist*, arguably three of the world’s most influential and respected news organisations. Websites for London newspapers like *The Daily Mail* and *The Guardian* are among the most visited in the world. As a globally important entertainment hub as well, London ranks 2nd globally in total spending by international visitors.[5]

London is also a popular location for the regional headquarters of many multi-nationals. But beyond these traditional strengths, London has also built what is ranked as Europe’s top technology startupcentre, according to the Startup Genome project. Companies include King.com, maker of the popular Candy Crush game, which is preparing to go public.[6] The city has upwards of 3,000 tech startups[7] as well as Google’s largest office outside of Silicon Valley.[8]

NEW YORK: STILL THE WONDER CITY

New York, ranked 2nd in our study (*see Appendix A*), stands in an essential statistical tie with London with virtually identical scores. New York is home to most of the world’s top investment banks and hedge funds and retains its primacy in stock market volume (value of trading), according to the World Federation of Exchanges.[9] New York’s volume (NYSE and NASDAQ) is nearly four times that of second place Tokyo and more than ten times that of London. It is also home to dominant market data providers such as Dow Jones and Bloomberg, and a global leader in media and advertising, the music industry (home to Warner Music Group and Sony Music Entertainment, two of the big three labels), and also one of the most important capitals of the fashion and luxury business. With iconic landmarks galore, international visitors spend more money in New York each year than in any other city in the world.[10]

Figure C-1. Value of Share Trading: Stock Markets in Metropolitan Area Exchanges



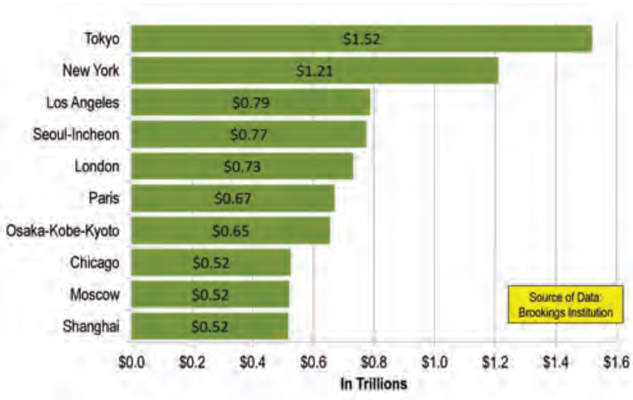
FIGHTING FOR THE FUTURE: THE BATTLE FOR EAST ASIA

Numerous new competitors to New York and London are on the horizon. There is, as three historians noted, “general consensus on which are the leading world cities...but there is no agreed-upon roster covering world cities below the highest level”.[11] Clearly, London and New York are no longer the hegemonic powers that they were throughout much of the 20th century. Large industries have migrated to other cities, both domestic and foreign. Even the New York stock market is now owned by a company based in Atlanta.[12]

Tokyo: No Longer Ascendant, but Still Important

It seems likely that the primary challenge to the New York–London duopoly will come from East Asia. East Asia's share of global GDP grew from 20% to 26% between 1994 and 2012.[13] In the past, most academic research favoured Tokyo, which is also the world's largest city, with the largest overall GDP.[14] Tokyo, ranked 5th in our study (*see Appendix A*), behind Singapore (ranked 4th), was one of the three cities listed in the title of Sassen's seminal work on global cities. As the largest city in the world and dominant metropolis of what was until recently the second largest economy in the world, and with a powerful influence in manufacturing, electronics and access to the vast wealth still in Japan, Tokyo remains very much a key global capital, although likely a gradually fading one.

Figure C-2: Largest Metropolitan Economies by 2012 Gross Domestic Product



We based this assertion on two critical factors: the relative decline of the Japanese economy paired with the simultaneous rise of China (and other emerging economies like Korea). A third critical problem lies with cultural insularity—something that could have been overlooked when Japan dominated Asia's economy, but now a severe liability going forward. According to the Roland Berger regional headquarters survey, consideration of these three factors is reflected in regional headquarters that have tended to be located elsewhere.[15]

Tokyo's tenuous hold on fifth place reflects the city's unmatched concentration of Forbes 2000 global companies. However, with Japan's demographic difficulties and its economic malaise, it is unlikely that Tokyo will continue to retain its importance as a global city in future. Under any circumstance, China's dominance of East Asia is likely to make it almost impossible for Tokyo to retain its present level of influence.

Seoul Makes a Bid

Given the growth of the Korean economy and the expanding footprint of that country's large conglomerates, Seoul must be considered a de facto global city. Yet, like Tokyo, the Korean capital, although gaining in terms of the number of foreign residents, lacks the demographic diversity of a London or New York; few foreign large companies locate their regional headquarters in Seoul.[16] Due to major global players such as Samsung and Hyundai, Seoul is ranked 4th, tied with Paris, in the total number of Forbes 2000 global headquarters.

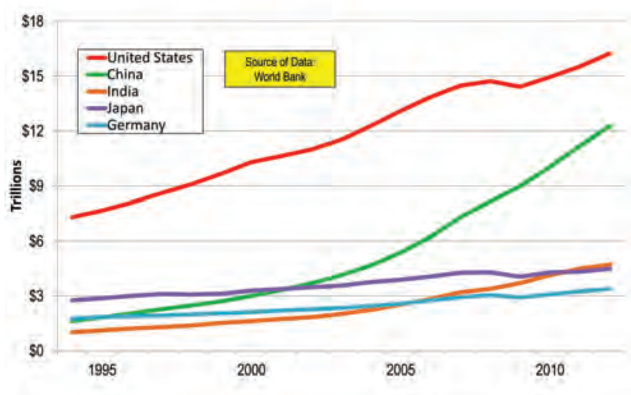
Seoul is certainly on the way up for now. Rated among the most "wired" cities in the world, it also boasts an influential entertainment industry, with much of its growth coming at the expense of a declining Japanese cultural footprint. Korean pop culture is influential not only in Asia, but in such unexpected places such as Latin America. But for the most part, Seoul—which is tied for 16th on our cities list—remains more of a powerful national player as opposed to a true regional or global hub.[17]

Whither the Chinese Global City

Ultimately, the likely dominant global city will arise from China and its diaspora. China's share of the world economy has grown from 5% in 1994 to 14% in 2012.[18] Tellingly, the combined volume of the Shanghai and Shenzhen stock exchanges already exceed that of Tokyo. The Shenzhen exchange volume is approximately three times that of nearby Hong Kong. Both Shenzhen and Shanghai have market volumes of 65% or more that of London.[19]

From this vantage point, it seems likely that the economic advance of Asia, led by China, is likely to continue. This is not the first time China has built a huge trading empire; Chinese ships and small merchant colonies existed in Malaysia at least as far back as the Han dynasty.In some sense, the current ascendency, particularly into Southeast Asia, parallels these earlier developments.[20]

Figure C-3: 5 Largest World Economies by GDP (using PPP): 1994–2012



China's remarkable economic growth, as shown above, suggest that it will be well-represented in the upper echelons of global cities. Once on the fringe of the world economy, China's integration into the world economy has helped lift two mainland cities, Beijing in a tie for 8th place and Shanghai, at 19th, are already serious contenders. But first, they must overcome Hong Kong (ranked 6th), a special economic zone of China, and Singapore (ranked 4th), both of which have long histories as global cities with diverse populations and strong ties outside Asia.

The control exercised by China's authoritarian government may prove the big challenge facing Shanghai, Beijing, and even Hong Kong, which is a special administrative district but remains under China's sovereignty. The central authorities control credit and also monopolise all political power. Currently, Hong Kong, like London, still enjoys greater freedom than the rest of China. This has allowed Hong Kong to remain the largest financial centre in the Asia-Pacific region, ranked 3rd in the world after London and New York. The vast majority of the world's major investment banks, asset managers, and insurance companies maintain their Asia-Pacific headquarters in Hong Kong.

However, Hong Kong's pre-eminence and current 4th ranking could be undermined if China sufficiently liberalises its financial markets and reduces endemic corruption and cronyism. The recent establishment of the Shanghai China Pilot Free Trade Zone could indicate movement towards such liberalisation.[21] This could pose a major competitive challenge to Hong Kong, whose relatively liberal regulatory environment has long been among its main advantages.[22] Shanghai is already the leading financial centre of mainland China and an increasingly popular location for Asia-Pacific headquarters, particularly for companies looking to curry favour with the Chinese government. The Roland Berger study noted that Shanghai was close to Singapore and Hong Kong, and was as an attractive location to establish regional headquarters. In 2010 alone, 24 companies relocated their Asia-Pacific headquarters to Shanghai, including Walt Disney, Kraft, and Novartis.[23]

Shanghai also faces significant Chinese competition for the establishment of headquarters from Beijing. The venerable capital city has the advantage of being the country's all-powerful political centre, and the locale of both the country's most elite educational institutions and its most innovative companies.[24] Like its rival, Shanghai, Beijing is an increasingly popular location for companies to locate their Asia-Pacific headquarters. Companies doing so include Amazon, Volkswagen, Nokia, and Caterpillar. Given China's power, it seems that one, if not both, of these cities will achieve primary global city status within the next ten to 20 years. But should China falter economically or fail to sufficiently liberalise its financial markets, it is likely that Hong Kong or Singapore would remain the leading global city of Asia or East Asia. Hong Kong, however, faces serious problems of affordability, with some of the highest housing costs in the world—nearly three times that of Singapore relative to incomes. This, combined with overly restrictive administration by China, could play into the hands of Singapore.[25]

SINGAPORE: ASIA'S PREMIER GLOBAL CITY

Despite having no national hinterland, Singapore could play a role similar to that of London, which is Europe's global city, or perhaps even the role once played by the classical European trading states. With a small population of just over five million, Singapore's basic infrastructure is among the best in the world.[26] Like Hong Kong, Singapore also benefits from a tradition of British governance and law, one reason the World Bank ranked its business climate the world's best, whereas China ranked 96th. Singapore's civil justice system has been ranked 4th in the world in "The Rule of Law Index", surpassed only by Norway, the Netherlands and Germany, but well ahead of Canada (13th) and the United States (22nd).[27] It does very well on other measurements of business friendliness and competitiveness, along with Hong Kong.[28]

Not surprisingly, Singapore is frequently a favoured location in many industries for overall Asia-Pacific headquarters, especially in high technology, energy, and even the automotive supplier industry (though the Asian auto-industry is increasingly becoming China-centric). A Roland Berger study named Singapore the leading location for European companies to establish headquarters in the Asia-Pacific.[29] Companies with regional headquarters here include Microsoft, Google, Exxon Mobil, and Kellogg's. Singapore vies with Hong Kong as the financial centre of Asia, and is ranked 4th in the world.

DUBAI TRIES TO DO A SINGAPORE

Although much of the most rapid urban growth is happening in the Middle East, South America and Africa, few cities in this region seem candidates for top global city status in the immediate future. The most likely candidate is Dubai (ranked 7th). Its fundamental globalisation strategy hinges largely on its expanding airport, which includes the world's largest terminal and an even larger airport under construction.[30]

But physical connectivity represents just one part of this city's attempt to become the Singapore of the Middle East. Located in a highly combustible region, this modern and relatively open city-state stands out as a safe place for business, real estate investment, and tourism. Dubai has already become a clear favourite for companies looking to establish headquarters or a "point of presence"in the Middle East; these are not just companies in the energy sector, but also conglomerates like Samsung, IBM, Google, Dow Chemical, Visa, and AON. In a recent CB Richard Ellis ranking, Dubai was the only city in the region that was listed among the top ten favourite business cities, serving as a major centre for consumption in the region.[31]

OTHER MIDDLE EASTERN CANDIDATES

Dubai may be ahead of its regional rivals, but that does not mean it lacks competition. Abu Dhabi, capital of the United Arab Emirates and ranked 20th, has sought to replicate Dubai's success. It has attracted the headquarters of several firms, including Siemens, Booz Allen, and CNN. No other Muslim Middle Eastern city—including Bagdad, Cairo, and Tehran—comes close to making the grade as a significant global city, but perhaps the best shot belongs to rapidly modernising 29th ranked Istanbul, located astride the border of Asia and Europe. Certainly this megacity has a proud legacy as a global capital that spans Roman, Byzantine and later Ottoman times.[32]

The other bright spot in this region is Israel's commercial capital, Tel Aviv, ranked 37th. According to the Startup Genome project, Tel Aviv has the second strongest startup eco system in the world, with an estimated 5,000 startups.[33] Major firms like Google, Amazon, and Microsoft have flooded in to provide startup infrastructure and attempt to lure companies to build on their platforms. About one-third of the core city's (Tel Aviv-Yafo) population[34] consists of 20- to 30-year-olds seeking higher education, more employment opportunities, great parties, and a rich cultural life.[35] Tel Aviv follows the pattern of efficient cities; with approximately 3.5 million people, Canada's *Globe and Mail* has rated the city as one of the world's most innovative, noting that "while Tel Aviv is small, it's one giant innovation engine".[36] However, Tel Aviv is too small, and perhaps too limited by its continuing conflicts with its neighbours to emerge among the top global cities anytime soon.

THE REST OF THE DEVELOPING WORLD

Most of the other developing cities in Asia—Manila, Jakarta, Bangkok, Kolkata, Delhi, Karachi, and Dhaka, as well as smaller cities like Hanoi, Kuala Lumpur, and Ho Chi Minh City—seem unlikely to become global cites in the immediate or even mid-range future. These are significant centres of global production, but limited in their international scope and have little role in the "command and control" of international commerce.

Perhaps the best chance for breaking into the top ten is 31st ranked Mumbai, in part because of its well-established financial and media industries. In fact, Bollywood produces more films, although with far lower revenues, than Hollywood. This cultural influence, as well as the burgeoning tech services industry in Mumbai and other Indian cities, extends beyond India. But many problems—including weak infrastructure, massive poverty and corruption—are likely to keep even Mumbai from breaking into the top rung of global cities in the near or even mid-term future.[37] Moreover, a continuing difficult relationship with the region's second largest nation, Pakistan, also works to hamper Mumbai's regional influence.

Latin America Strikes Out, for Now

Latin America boasts several large megacities but none are even close to our top ten. Three of the great megacities of the region—Mexico City (41st), Buenos Aires (44th) and Rio de Janeiro (which did not even break into our top 50)—do not score high anywhere on our indices.The most serious challenger, 23rd ranked São Paulo is the economic heart of South America's largest economy, and boasts its largest stock market. Brazil's largest city and commercial capital has become the headquarters for many companies' overall Latin American operations, despite a unique language, as well as crime and other problems. Companies include Telefónica, Google, Delta Airlines, and BASF. Delta Airlines recently moved its Latin America headquarters from Atlanta to São Paulo.[38] São Paulo is also the most racially diverse city in Brazil, and perhaps all of Latin America, serving as home to the largest Japanese diaspora in the world at 600,000-strong.[39] Nearly all of this population is descendant from immigration decades ago and born in Brazil. However, São Paulo has an extremely small foreign-born community at less than 1% relative to its population of more than 20 million.[40] One major problem for all the cities of the region is physical connectivity, particularly to East Asia, which is now beyond the range of non-stop flights. In terms of connectivity, São Paulo ranks best (24th, at 43%), followed by Buenos Aires (38th, at 28%), Rio de Janeiro (40th, at 24%) and Mexico City (41th, at 22%).[41] In part the prisoner of geography, Latin America is generally too far from the economic centres of East Asia and Europe, and, with the exception of Mexico City, not very close to North America either.

Africa: Fast-Growing but Not yet Efficient, or Necessary Enough

More troubling still is the trajectory of Africa. Both economic growth and urbanisation are proceeding rapidly in this part of the world, but none of Africa's cities rank high on our list. The best placed was Johannesburg (31st), while other key African cities such as Lagos (47th), along with Nairobi and Kinshasa (which did not even make the top 50), did poorly. The problems of Africa reflect those of much of the developing world outside a few Middle Eastern cities—insufficient sanitation, political instability, and inadequate infrastructure—unacceptable for a successful 21st century global city. Along with the Middle East, Africa has the dubious honour of dominating *The Economist's* list of "least liveable" cities, along with Tehran, Tripoli, Algiers, Harare, Lagos, and, in Asia, Damascus.[42]

Over time, it is hoped that Africa, as well as Latin America, could develop into serious global cities as economic growth shifts to these parts of the world. Fortunately, some progress in developing modern infrastructure is being made in cities such as Johannesburg. Yet, as McKinsey suggests, progress will be slow in developing a viable African urbanism.[43]

EUROPE FADES FROM VIEW

Europe invented the modern global city, but, with the exception of London, none are in the top rungs of global cities. This reflects neither insufficient globalisation nor economic efficiency per se, as European cities continue to dominate many "best city" rankings, which measure "quality of life" characteristics such transit systems, low crime and efficient infrastructure.[44] It also reflects the region's rich urban heritage which has created a complex dispersion of metropolitan areas. For example, Germany—Europe's dominant economy—boasts six major rich business hubs but none have enough singular influence to hit the top rankings. The country's financial centre, Frankfurt, is ranked 10th while the capital, Berlin, is ranked 29th.

In contrast, Paris is ranked 3rd and, in large part, due to the intense concentration of French business—mainly national champions—in the capital city. In terms of total number of Forbes 2000 global headquarters, Paris is ranked 4th, 3rd in destination in the world for spending by international visitors,[45] with some strengths in advertising.

Yet overall, today's Paris is a far cry from the great imperial capital that, at one time, challenged London for global supremacy.[46,47] Paris depends largely on a France that is deeply troubled, with high unemployment and in poor fiscal condition. This will certainly limit its trajectory in the future, not only in competing with more globalised London and New York, but also with the rising cities of Asia.[48] The city also faces competition in the cultural fields, particularly from 41st ranked Milan, base of luxury fashion house Prada and host of the biannual Milan Fashion Week as well as the world's largest trade fair, the annual Milan Furniture Fair. Apart from its tourism, fashion, and luxury sectors (which, though global, are much smaller and less important than the finance and high-tech sectors), the global impact of Paris is limited and likely to become more so in the future.

One strong and often overlooked player is the 16th ranked Randstad, an urban conurbation in the Netherlands that includes Amsterdam, The Hague, Rotterdam and Utrecht. While not a strategic location for any particular industry, the Netherlands boasts a long-standing trading tradition. What sets the Randstad apart is its favoured standing as a location for establishing European headquarters, and the important role of Amsterdam Airport Schiphol. This is reflected in its impressive ranks of globally important companies like Royal Dutch Shell, Heineken, Phillips and Wolters Kluwer; over 500 international companies have their regional headquarters in Amsterdam alone.[49]

Like the Netherlands, Switzerland is a popular location for companies to establish their European headquarters. Switzerland is also home to a large number of major multinationals like Nestlé, UBS and Roche. Its cities traditionally do very well both in terms of competitiveness and quality of life measurements.[50] Switzerland does impressively well for a nation with a population equal to little more than that of the San Francisco Bay Area, and its cities Zurich, ranked 13th, and Geneva, ranked 34th, predominate in part due to their favourable tax climate, but Switzerland's small size and Europe's decline limit the forward trajectory.

Ironically, Moscow, a city rarely ranked high for quality of life and ranked 20th in our survey, may be Europe's ascendant city, although this could be threatened by heightened tensions resulting from the current conflict with the Ukraine. Moscow retains a significant regional influence because of the sheer size of its energy sector, Europe's dependence on Russian gas, and the domination of that industry by the Russian state. The municipality of Moscow had a 10.9% foreign-born population in 2002 but relations with newcomers—particularly from the Caucasus—have been rocky,[51] and have been marred with racism and occasional terrorism.[52] The recent events surrounding Russia's annexation of the Crimea region also could hamper Moscow's global relations. More importantly, Russia's nominally democratic government is insufficiently accountable for companies—outside of commodities—to consider it a reliable locale. Even wealthy people tend to move their assets, and sometimes their families, abroad for a host of reasons, ranging from fear of the state, lack of adequate health care, to an economy too focused on a few select sectors. Russian expatriate colonies are growing everywhere, notably in global cities such as London, New York, Los Angeles and Toronto.[53]

RISING AND FALLING STARS IN NORTH AMERICA

In contrast to Europe and Japan, North America boasts a relatively vibrant economy, relatively healthy demographics and tremendous natural resources, particularly food and energy. Together, the US and Canada account for 35 of the world's 100 largest companies; in contrast, East Asia has 16.[54] Although no North American region is close to competing with 2nd ranked New York, there is intense competition in specific fields from other cities. Perhaps nowhere outside Asia is the trajectory of efficient cities into global cities more evident.

For many years, Los Angeles, ranked 10th and North America's second-largest region, was seen as a potential rival to New York and a legitimate world city. Hollywood is nearly synonymous with the American entertainment industry and is by far the world's largest in terms of revenue and influence, enjoying exports of almost $15 billion in 2013.[55] Every major global movie studio in the world is located in Los Angeles; it is also a key hub of the music industry. So dominant is America's Los Angeles-based entertainment industry that many countries, in an effort to preserve their local cultural industries, have passed strict quotas to limit the number of English-language films and songs that can be shown and played on the radio respectively.[56]

While it has held on to a leading, if somewhat diminished, share of entertainment, Los Angeles's dominance in other traditional industrial strengths such as aerospace and defence have been badly eroded, losing over 90,000 aerospace jobs since the end of the Cold War.[57] It may be losing its foothold as the US base of the Asian auto sector, particularly for design and marketing; there are some negative signs, as Nissan relocated to Nashville in 2005 and Honda moved some of its top executives to Ohio in order to be nearer to manufacturing.[58] In 2014, the region saw the departure of the US headquarters for Toyota, the world's largest automobile firm and a consistent technological innovator. However, the region remains the base for North American operations for two fast-rising Korean firms, Hyundai and Kia, both of which are located in suburban Orange County.[59]

One bright spot is technology. Somewhat surprisingly, the Startup Genome project ranked Los Angeles as having the second strongest startup ecosystem in the United States. Yet overall, Los Angeles has been losing ground both in terms of employment and net migration to other ascendant regions; in fact, a recent commission made up of many of the region's top business and political leaders concluded that the region "is barely treading water while the rest of the world is moving forward".[60]

The situation is arguably worse for 20th ranked Chicago. The Windy City still enjoys one of the world's most diverse economies, but has not established dominance in any industry, with the possible exception of commodity trading.[61] Beyond that, Chicago has virtually no presence as a strategic hub for any key industry; it is neither a primary media or technology centre like its Californian rivals and, outside of commodities, is no longer a major global financial centre compared to New York. Chicago is ranked 7th globally in the total number of headquarters of Forbes 2000 companies, but it is primarily the largest business centre for a sub-national region, the Midwest, which has an economy the size of France.[62]

Rising Stars

The places to watch in North America, as elsewhere, are smaller but arguably more efficient cities. Toronto, ranked 10th, has the highest foreign-born population at 46%. For the most part, Toronto's place is largely as Canada's premier financial and corporate centre. It dominates no global industry and generally ranks in the middle in terms of technology and foreign investment, but easily beats Canada's former premier city, Montreal, which manages a relatively weak 41st.

The self-proclaimed "Capital of Latin America", 29th ranked Miami has seen increasing competition for that title from cities that are in Latin America itself, notably São Paulo. However, the relatively stable political, legal and financial environments in the United States continue to make Miami a powerful draw for Latin American businesses and wealthy individuals. Companies in many industries have their Latin American headquarters in Miami, including many that are not based in the United States. These include both American-based firms such as Hewlett Packard and Microsoft as well as global firms such as Komatsu, Electrolux, and Sony Music.

In our assessment, the three US cities with the best long-term prospects to enter the top ranks of global economy are Houston, Washington Metropolitan Area, and the San Francisco Bay area. The rise of 14th ranked Houston is based largely on its role as the "Energy Capital of the World". The world's oil supermajors are dispersed geographically (and include a number of state owned firms), and Houston is clearly the centre of the industry. The majority of traded foreign oil majors have their US headquarters in Houston and companies that are technically based elsewhere boast a significant Houston presence. In fact, Houston seems to be becoming more dominant. For example, Exxon, based in Dallas-Fort Worth, is opening a massive Houston campus that will be home to 10,000 employees.[63] Additionally, a majority of the world's largest oil services companies, such as Baker Hughes, Schlumberger and FMC Technologies, are based in Houston. The Texan city is also a centre for energy trading. Altogether, over 5,000 energy-related companies call Houston home.[64] Houston has also developed other critical aspects of a global city, including the nation's largest export port and the world's largest medical centre. It has also become, by some measurements, the most diverse region in the country ethnically. In the last decade, for example, Houston increased its foreign-born population by 400,000, second only to New York and well ahead of much larger Los Angeles.[65]

Another rising global region is the region centred on 16th-ranked Washington D.C., and its suburban periphery in Virginia and Maryland. Here, a government-centred economy has made this the fastest growing major agglomeration in the mid-Atlantic US. Defence is a particular area of strength: the US military is overwhelmingly the largest and most sophisticated purchaser of defence equipment in the world, spending 39% of the world's total outlays on defence, giving American firms a huge advantage. The fact that all purchasing stems out of Washington has led many firms, including Lockheed Martin, General Dynamics, and Northrup Grumman, to relocate into the D.C. area. Unsurprisingly, all major non-US global defence firms in the West (BAE Systems and EADS, for example) have their US headquarters in Washington.[66]

However, our leading choice for an ascendant world city is the 10th ranked San Francisco Bay Area, which now nudges out Los Angeles for bragging rights on America's Pacific Rim. If Hollywood is synonymous with the global entertainment industry, Silicon Valley now plays the same role in high technology. Technology leaders, including Intel, Apple, Oracle, Google, and Facebook, Asian as well as global tech firms like Samsung and Nokia, all have North American headquarters here. Top technology firms from other cities often have their key R&D functions in the Bay Area. Even a frugal firm like Wal-Mart is growing its Silicon Valley presence.[67]

Though Silicon Valley firms are increasingly growing their employment base in places like Salt Lake City and Austin, the Bay Area retains its dominance and control over the industry. This is similar to how the financial industry remains heavily centralised in New York despite the migration of many jobs elsewhere.[68] Additionally, the Bay Area's tech sector exerts an increasingly powerful role in other industries such as media and entertainment, as these sectors shift towards a web- or cloud-based model. Previous measurements of media, advertising and entertainment used in global surveys have not yet caught up with this profound shift.[69]

In the future, 37th-ranked Seattle, a metropolitan area of slightly less than 4 million, could rise higher. Though a second-tier business centre and not the dominant location for any industry, Seattle is home to powerful companies like Boeing, at least as far as engineering and marketing is concerned, and also the home of important consumer companies, including Costco, Starbucks and Nordstrom. It boasts particular strength in the tech sector, especially with Microsoft and Amazon, two of the world's dominant technology players and platform providers, and is the largest production base for Boeing, a significant developer of technology. Numerous smaller technology companies also call Seattle home. With significantly lower housing prices than the Bay Area and strong connectivity, particularly to Asia, Seattle, together with its seaport and airport in Seattle–Tacoma, could present a long-term challenge to the still dominant Southern Californian entrepôts of Long Beach and Los Angeles and become a serious global contender.[70]

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