

## MEGAREGIONS: BENEFITS BEYOND SHARING TRAINS AND PARKING LOTS?

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Abstract.

*The paper identifies possible types of intraregional economic interactions that could be enabled by the megaregional scale and examines whether such interactions also might give megaregions advantages in today's global economy. If both of these are indeed the case, we might ask whether and how megaregional coordination can be helpful. The central effort is to take the benefits of megaregions beyond the familiar scale economies. One critical dimension in this effort is to examine whether a megaregion is a scale that can benefit from the fact that our complex economies evince diverse types of agglomeration economies and geographic setting, from very high (e.g. the specialized advanced corporate services) to fairly modest (e.g. suburban office parks and labor-intensive low-wage manufacturing). A megaregion can incorporate this diversity into a single economic megazone. Indeed, in principle, it could create conditions for the return of particular (not all) activities now outsourced to other regions or to foreign locations. This would expand the project of optimizing growth beyond the usual preference for state of the art sectors (such as office and science parks) and include a greater diversity of economic sectors. A second critical dimension examined concerns the growth effects resulting from the interactions of a firm's diverse types of sites: from the perspective of a megaregion this would mean having both a firm's top level headquarters and its low-cost routine work adds yet another specific source of growth for the region, one beyond the mere sum of the jobs involved.*

I have been asked to examine whether there are particular advantages to economic interactions at the megaregional scale and whether such interactions might play a role in enhancing the advantages of megaregions in today's global economy. Familiar advantages of scales larger than that of the city, such as metropolitan and regional scales, are the benefits of sharing transport infrastructures for people and goods, enabling robust housing markets, and, possibly, supporting the development of office, science, and technology parks. Critical policy options identified by RPA in this regard would aim at strengthening the megaregional scale of economic interactions by investing in intercity and high speed regional rail, enhanced goods movement systems, and land use planning decisions.

More complex and elusive is whether the benefits of megaregional economic interaction can go beyond these familiar scale economies and, further, whether this would strengthen the position of such megaregions in the global economy. It is this set of issues that I have been asked to address. Much of the effort involves developing an analytic framework that allows us to begin to understand the parameters of these two issues. There is no definitive research on this subject. Thus empirical specification can only be partial as the available evidence is fragmentary for the regional level, a shortcoming that becomes acute when dealing with the novel category of the megaregion.<sup>1</sup> There is, however, enough analysis and evidence on one particular component of this subject -- the advantages for global firms and markets of particular types of agglomeration economies at the urban level-- that we can begin to use it as a lens onto the megaregional scale. Agglomeration economies are to be distinguished from familiar urbanization economies (the advantages of scale and spatial concentration). They involve complex interactions of diverse components, not simply, for instance, more people using a train line and the scale economies this might enable.

If we are to understand the advantages of economic interaction at the megaregional scale we need to go beyond explaining why we have megaregions today. I do not want to diminish the critical importance of understanding the characteristics of these 10 megaregions and their “urbanization” advantages. Answering the question: what are the causes or combinations of dynamics that produce the ten megaregions identified by RPA is critical but not enough. It might, after all, be merely the result of population growth in a geographic setting where cities and metro-areas blend into each other. Voila, a mega region! And this does indeed call for crossregional infrastructures, notably transport and electricity, and some of the other components of regional planning and coordination presented in the RPA report. But are these conditions, which amount to an expanded version of urbanization economies, enough to answer the larger questions raised by RPA, Rockefeller and the Princeton Policy Institute. My answer is a qualified no.

## SPECIFYING MEGAREGIONAL ADVANTAGE BEYOND SCALE ECONOMIES

One central argument I develop in this paper is that the specific advantages of the megaregional scale consist of and arise from the co-existence within one regional space of multiple *types* of agglomeration economies. These types of agglomeration economies today are distributed across diverse economic spaces and geographic scales: central business districts, office parks, science parks, the transportation and housing efficiencies derived from large (but not too large) commuter belts, low-cost manufacturing districts (today often offshore), tourism destinations, specialized branches of agriculture, such as horticulture or organically grown food, and the complex kinds evident in global cities. Each of these spaces evinces distinct agglomeration economies and empirically at least, is found in diverse types of geographic settings –from urban to rural, from local to global.

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<sup>1</sup> For one of the definitive examinations of the shortcomings of the data on sub-national scalings see the report by the National Academy of Sciences (2003). See also generally, OECD 2006; 2007.

The thesis is that a megaregion is sufficiently large and diverse so as to accommodate a far broader range of types of agglomeration economies and geographic settings than it typically does today. This would take the advantages of megaregional location beyond the notion of urbanization economies. A megaregion can then be seen as a scale that can benefit from the fact that our complex economies need diverse types of agglomeration economies and geographic settings, from extremely high agglomeration economies evinced by the specialized advanced corporate services to the fairly modest economies evinced by suburban office parks and regional labor-intensive low-wage manufacturing. It can incorporate this diversity into a single economic megazone. Indeed, in principle, it could create conditions for the return of particular (not all) activities now outsourced to other regions or to foreign locations.<sup>2</sup>

Thus the critical dimension for the purposes of this paper is not just a question of the contents of a megaregion, such as its economic sectors, transport infrastructure, housing markets, types of goods and services that get produced and distributed, exported and imported – a sort of x ray of a megaregion. Critical is also the specification of economic interactions within the megaregion in order to detect what could be re-incorporated into that region (e.g., factories or routine clerical work that is now outsourced to other national or foreign areas) as well as to detect emerging megaregional advantages. All of this requires working off the fact that these megaregions exist and the specific indicators used by RPA in identifying those regions. But it also requires going beyond these indicators and the realities they are meant to represent.

One way of specifying some of this empirically is to establish whether agglomeration economies (not just urbanization economies) matter for developing the spatial organization of a megaregion. Examining the question of agglomeration economies in the current period is framed by two facts that are potentially in tension with each other. On the one hand, the new information technologies enable firms to disperse a growing range of their operations, whether at the metro, regional, or global level, *without* losing system integration;<sup>3</sup> this has the potential to reduce (though not eliminate) the benefits of urbanization economies for such firms. On the other hand, the evidence clearly shows the urbanizing and densifying of massive regions, including scale-ups to the megaregional level as identified by RPA.<sup>4</sup>

I first address the most extreme instance --globalized firms with considerable digitization of their production process and their outputs. In this case there are conceivably fewer and fewer agglomeration advantages, especially for the most advanced sectors, typically high-

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<sup>2</sup> Besides “regionalizing” various segments of a firm’s chain of operations, one might also propose to regionalize more segments of various commodity chains. See, for instance, Gereffi, Gary, John Humphrey and Timothy Sturgeon. 2005. “The Governance of Global Value Chains.” *Review of International Political Economy (Special Issue: Aspects of Globalization)*. 12 (1): 78-104.

<sup>3</sup> For one of the best data sets on the dispersal at the global scale of the operations of firms in corporate services see Globalization and World Cities Study Group and Network (GAWC.) 1998. <http://www.lboro.ac.uk/departments/gy/research/gawc.html>.

<sup>4</sup> RPA report-full cite.

value producing, able to buy the latest technologies, and highly globalized, that is, with multiple operations across the world.

Contesting this technologically driven explanation, I describe how and why precisely these firms are subject to extreme agglomeration economies in some –not all—of their components.<sup>5</sup> This fact matters for understanding megaregional advantage because megaregions also contain extremely dense cities with diverse resources and types of talent. A second implication for the mega region is that the “multi-sited” character of the leading economic sectors includes cities as one key site, but these advanced sectors also have other sites -- some marked by medium and even low or no agglomeration economies, with some economies of scale, but strong preferences for low-cost, often underdeveloped areas.

What gives this added meaning is a third implication for the megaregional scale which has to do with the growth effects resulting from interactions of a firm’s diverse types of sites: a firm’s central headquarter functions expand as a result of that multi-sitedness (whether national or global).<sup>6</sup> This is a growth potential that builds on the second point above in that the co-presence of a firm’s top level headquarters and low-cost routine work adds yet another specific source of growth for a megaregion that contains both; that is to say, this is a growth effect that goes beyond the mere addition of jobs resulting from that megaregion capturing more sites of a firm’s chain of operations.

Now the question becomes: Can a megaregion seek to accommodate a larger range of the operations constituting a firm’s value chain –from those subject to agglomeration economies to those that do not evince such economies.

Practically speaking this points to the possibility of bringing into (in some cases, back to) a megaregion some of the services and goods now produced offshore to get at lower wages and less regulations. Can these be reinserted in the low-growth, low-cost areas of a megaregion. What type of planning would it take, and can it be done so as to optimize the benefits for all involved, firms, workers, localities. This would expand the project of

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<sup>5</sup> A parallel issue here, not fully addressed in this paper, is the articulation of technical connectivity with social connectivity. See, for instance, Garcia, D. Linda. 2002. “The Architecture of Global Networking Technologies.” In *Global Networks/Linked Cities*, edited by Saskia Sassen. New York and London: Routledge, p. 39-69.

<sup>6</sup> This is a type of agglomeration economy I found in my research on global cities, but it can also be applied to national or regional scales. The hypothesis was that the greater the capabilities for geographic dispersal a firm has, the higher the agglomeration economies it is subject to in some of its components, notably top level headquarter functions. (See *The Global City*. Princeton: Princeton University, 2001, 2<sup>nd</sup> ed.; original edition 1991: New Preface) for a brief explanation of the nine hypotheses that specify the global city model. It is the most specialized functions pertaining of the most globalized firms which are subject to the highest agglomeration economies. The complexity of the functions that need to be produced, the uncertainty of the markets such firms are involved in, and the growing importance of speed in all these transactions, is a mix of conditions that constitutes a new logic for agglomeration; it is not the logic posited in older models, where weight and distance (cost of transport) are seen to shape agglomeration economies. The mix of firms, talents, expertise in a broad range of specialized fields, makes a certain type of dense environment function as a strategic knowledge economy wherein the whole is more than the sum of (even its finest) parts.

optimizing growth beyond the usual suspects –office and science parks being one notable example—and move across far more and more diverse economic sectors. It would use the lever of the megaregional scale to provide diverse spaces catering to different types of activities, ranging from those subject to high to those subject to low agglomeration economies. And, finally, the megaregional scale would help in optimizing the growth effect arising from the interactions of some of these diverse agglomeration economies. This growth effect would be optimized by re-regionalizing some of the low-cost operations of firms today spread across the country and/or the world.

If this type of thesis does indeed capture a potential of megaregions, it would be the making of new economic history. The possibility of this type of potential is easily obscured by the prevalence of national level economic indicators, data sets, and policies. Identifying the megaregion produces an intermediate level, one that even though partly dependent on national macro-policies also inserts a far more specific set of issues into the economic picture.<sup>7</sup> A megaregion can combine a very large share of the diverse economies that are very much part of our current era. And it can incorporate growth effects arising from the interactions of some of these diverse economies.

This way of thinking about the megaregional scale raises the importance of planning and coordination to secure optimal outcomes for all parties involved, including the challenge of securing the benefits firms are after when they disperse their operations to low wage areas. This would work for some types of economic sectors and types of firms, not for all. We know that some activities that have been outsourced to other countries have not worked out and have been repatriated –they range from airline sales agents to particular types of design work in industries as diverse as garments and high-tech. But many of these outsourced activities are doing fine as far as the firms are concerned. We need research and specific policies to establish the what, how and where of the advantages for the pertinent firms of accessing low-wage workers in the US; this includes understanding how location of these low-cost components in the megaregion where a given firm is headquartered could compensate for higher costs. This may require megaregional investment in developing low-cost areas for such jobs – a kind of rural enterprise zone.

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<sup>7</sup> The region, the metro area and the city are scalings that allow us to capture the many highly specialized circuits that are comprised by what we call “the” global economy. Different circuits contain different groupings of regions and cities. Viewed this way, the global economy becomes concrete and specific, with a well defined geography. Goods and services are redistributed to a vast number of destinations, no matter how few the points of origin are in some cases. With globalization, this capacity to redistribute globally has grown sharply). By focusing on a scale such as the region and on the diverse types of economic spaces it contains, we can capture multiple of these points of redistribution, as well as points of origin. For a definitive treatment of some of these issues as they apply to service industries see Peter J. Taylor. 2003. *World City Network: A Global Urban Analysis*. New York: Routledge

There is possibly a positive macro-level effect from repatriating some of these jobs if a race to the bottom can be avoided and a certain level of consumption capacity secured via reasonable wages or particular indirect subsidies. This brings a specific positive effect for a megaregion's less developed areas insofar as lower-wage households tend to spend a much larger share of their income in their place of residence –they lack the investment capital of upper income strata who can wind up allocating most of their income on overseas investments. Finally, this is also one element in the larger challenge of securing more equitable outcomes.<sup>8</sup> We need to ask about the distributive effects of the current configuration and of (potentially) optimized outcomes as described in this paper; there is sufficient evidence of how extreme maldistribution of the benefits of economic growth is not desirable in the long run, that we should care.

These ways of specifying the meaning of a megaregion (or a region) take us from a “packaging” approach to a more dynamic concept of the megaregion: beyond urbanization advantages, a megaregion may well turn out to be a sufficiently large scale to optimize the benefits of containing multiple and interacting agglomeration economies.

#### PROXIMITY AND ITS ADVANTAGES: DOES IT HOLD FOR MEGAREGIONS?

Today's information technologies and communication capabilities can deliver system integration no matter how farflung the operations of a firm or sector might be. If all firms and sectors can buy/use these technologies to reduce or neutralize agglomeration economies/advantages, the result would be a decline in the benefits of locations that deliver agglomeration economies, most notably global cities. Such a decline would be further strengthened by the possibility of rising shares of e-commuters -- working online from home.

In its most extreme version this scenario suggests that the advantages of locating in a mega-region would be limited to urbanization economies. Firms need to locate somewhere and so do their workers, so why not a megaregion; and, secondly, regardless of whether there are or not specific megaregional locational advantages, there would be a demand for local suppliers of final and intermediate goods and services that need to be produced in situ –that cannot be imported from far away, or at least not yet. The fact itself of population growth –a fact in most of the RPA megaregions—is enough to feed this type of demand.

Under these conditions, the specificity of megaregional locational advantages comes down to the fact that there is a market, or rather a whole range of markets for needed goods and services, both final and intermediate. Transport, housing, office buildings, factory buildings, and so on, all meet a real demand by households, governments and

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<sup>8</sup> For an analysis of options see Henderson, Jeffrey. 2005. “Governing growth and inequality: the continuing relevance of strategic economic planning.” Pp. 227-36 in *Towards a Critical Globalization Studies*, edited by R. Appelbaum and W. Robinson. New York: Routledge.

their multiple instances, from schools to courts, institutions of all sorts, and firms. As populations and distances grow, novel types of demand emerge: for speed-rail, super highways, more diversity in the housing supply. No matter how complex the components of this final and intermediate demand, this is, in some ways, a very elementary version of the advantages of the megaregional scale.

Are there more complex advantages for megaregional location?

The starting point is that location is a variable. The firm that can replace agglomeration advantages with the new information technologies represents one extreme case on the location variable: it evinces minor if any agglomeration economies. The fact of population growth and the associated need for housing and all that comes with it, is in many ways the same type of point on that variable; the difference is that it is subject to urbanization advantages. At the other end of these two cases is high agglomeration economies; this is well-established for very specialized branches of global finance and the most innovative branches of high-tech industries, with global cities and silicon valleys the respective emblematic spatial forms.

The advantages of location in a megaregion in these three diverse types of instances need to be empirically specified. We can establish that in the first two cases the particular advantage is some very broad, and geographically expanded, notion of urbanization advantages –the bundle of infrastructures, labor markets, buildings, housing, basic institutional resources, amenities. In a mega region these advantages spread over a vast geographic terrain, engendering its own specific components of final and intermediate demand, e.g. rapid-transit systems.

The question then becomes how do we enhance these urbanization advantages, how do we avoid excess growth/expansion/spread and its negative effects on congestion, prices, costs, etc. Whether markets or planning are the desirable instruments to optimize “urbanization” economies (broadly understood in that they include not only urban locations) will depend on a range of variables. One potentially innovative line of analysis here is the extent to which the megaregion enables novel ways of handling negative externalities, a point I return to later.

On the other hand, in the case of sectors subject to agglomeration economies, it may well be the case that the megaregion does not contain distinctive advantages over other scales, notably cities and metro areas. What these sectors seem to need is a bundle of resources that correlate with high-density, and, at its extreme, very dense central places –such as global cities and silicon valleys. The question then becomes whether there is one or several specific types of agglomeration economies, that can develop, and be enhanced, at the scale of the megaregion. The megaregions identified by RPA all contain high-density locations; a firm subject to agglomeration economies may well find the mix of highly specialized diverse resources it needs in one of those locations. But does it need a whole megaregion attached to that location?

Here we enter new theoretical and empirical territory. One critical hypothesis I developed for my global city model is that insofar as the geographic dispersal of the operations of global firms (whether factories, offices, or service outlets) feeds the complexity of central headquarter locations, the more globalized a firm the higher the advantages its headquarters derive from central locations (see footnote 6).<sup>9</sup> If I were to adapt this to the megaregion, one inference is that the advantage of a megaregional scale is that it could, in principle, contain both the central headquarters and at least some of those dispersed operations of global firms. In other words, is a megaregion a scale at which such firms can actually also “outsource jobs” and suburbanize headquarter functions—both in search of cheaper costs—and benefit from the region’s major city(s), including in some cases, global cities (New York City, Chicago, Los Angeles, Boston, San Francisco), or cities with significant global-city functions (Minneapolis, Miami, Atlanta, among others).

Can megaregions deliver particular advantages if they can also contain some of the geographically dispersed operations of a firm?

The evidence shows that increasingly the spatial organization of firms and economic sectors contains both points of spatial concentration and points of dispersal. Further, the evidence also shows that in many cases these points of spatial concentration contain segments in a firm’s chain of operations that evince rather strong agglomeration economies. One underlying (and disciplining) trend here, becoming visible already in the 1970s, is that spatial concentration is costlier for many firms so that the push is to disperse whatever operations can be dispersed; this contrasts with earlier periods when even large headquarters kept all functions in one place. This dispersal of a firm’s operations can be at a regional, national and/or global level, and agglomerations might vary sharply in content and in the specifics of the corresponding spatial form.<sup>10</sup> For instance, Chicago’s financial center, Los Angeles’ Hollywood, Northern California’s Silicon Valley, each deliver agglomeration economies to firms and sectors which also contain often vast geographic dispersal of some of their other operations.<sup>11</sup>

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<sup>9</sup> But there is a caveat. A second key hypothesis I developed to specify the global city model is that the more headquarters actually buy some of their corporate functions from the specialized services sector rather than producing them in house, the greater their locational options become. Among these options is moving out of global cities, and more generically, out of dense urban environments. This is an option precisely because of the existence of a networked specialized producer services sector that can increasingly handle some of the most complex global operations of firms and markets. It is precisely this specialized capability to handle the global operations of firms and markets that distinguishes the global city production function in my analysis, not the number per se of corporate headquarters of the biggest firms in the world, as is often suggested.

<sup>10</sup> One of the best and most detailed analysis comparing two different formats for high-tech districts is Saxenian, Anna-lee. 1996. *Regional Advantage: Culture and Competition in Silicon Valley and Route 128*. Cambridge, MA: Harvard University Press.

<sup>11</sup> This also allows us to go beyond many of the tropes in this subject. For instance, it contests the key proposition of the LA model on urban form and the new economy: that dispersal is the spatial form of advanced sectors. The facts on the ground (including for the LA region) show both dispersal and spatial concentrations. For an in-depth analysis of these issues see Michael Conzen and Richard Greene (eds) *The LA and Chicago Schools: A debate*. Special Issue of *Progressive Geography* (2007). The available evidence and there is plenty of it, indicates that key factors shaping the spatial organization of leading firms

A focus on the fact that much economic activity contains both spatial concentration and translocal chains of operations helps us situate the specifics of a city, a metro area, or a megaregion in a far broader systemic condition, one that might include both points subject to sharp agglomeration economies and points that are not –where geographic dispersal is an advantage. What the megaregion offers in this context is a bigger range of types of locations than a city or a metro area – from locations subject to high agglomeration economies all the way to locations where the advantage comes from dispersal.

Taking it a step further, in my own research I found that the most globalized and innovative firms were characterized by the fact that agglomeration economies are themselves partly a function of dispersal. That is to say, the more globalized and thus geographically dispersed a firm's operations, the more likely the presence of agglomeration economies in particular moments (the production of top-level headquarter functions) of that firm's chain of operations.<sup>12</sup> For the purposes of this essay, it underlines the fact of a single dynamic with diverse spatializations, i.e. both agglomeration and dispersal, across diverse geographic scalings; a megaregion would then conceivably be a scaling that can incorporate these different settings.

One way of specifying some of this empirically is to posit a direct relation between growth in a megaregion's locations for dispersed economic activities and locations for activities subject to high agglomeration economies. The more the former grow, the more the latter will also grow. The trick is then to maximize the co-presence in a given megaregion of these two types of locations. It is important to notice that this also sets limits to the advantages of urbanization economies. The latter turn out to be a curve: they grow with scale, but up to a point. That point is typically specified in terms of negative externalities. But what my analysis here suggests is that this point can also be specified in terms of the economic losses derived from *not* allowing the "development" of dispersal locations; since this means locations where firms can send their low-wage jobs requiring little education, it clearly goes against the prevailing aims of most places, which is to get high-wage, high-capital intensive jobs. Finally, if what is today the point on the curve where familiar negative externalities set in (e.g. excess congestion) can be made to coincide with that development of "dispersal locations" for firms, we would be making an advantage out of what is now a disadvantage.

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are present in both the LA region and in older cities such as Chicago and New York. But the larger spatial organization of each region gets coded differently. What is coded as multipolarity in the LA region gets coded as "relocation to the metropolitan area or beyond" in Chicago and New York. At the same time, dense concentrations of the most innovative and globalized sectors subject to agglomeration economies are present in both LA and Chicago/New York, but their contents are very different, a subject I return to later.

<sup>12</sup> And, indeed, certain very contemporary forms of dispersal are a function of particular capacities developed in settings marked by high agglomeration economies (exemplified by global cities). And they are not only happening in the narrowly understood sphere of the economy: thus we see the growth of an international curatorial class, and major museums allowing their most valued collections to go on tour in a foreign country.

In practical terms there are, clearly, massive challenges for a megaregion to achieve this type of co-presence – maximizing the extent to which a megaregion can contain both the agglomeration and dispersal segments of a firm’s chain of operations. For one, it is a countersensical, counterintuitive proposition. It is not easy to see why a megaregion’s highly dynamic economic spaces (the central areas of its global cities and silicon valleys), anchored by the headquarters of global and national firms, might actually be partly fed and strengthened by developing the “dispersal locations” of those same firms. Thinking of developing such “dispersal locations” as one way of making the most of negative externalities might make it more acceptable to the sceptics –you might as well go for activities that benefit from geographically dispersed arrangements once you hit excess congestion disadvantages. But one option at this point is of course such items as golf courses and ex-urban luxury housing. This is an argument that could be countered since the megaregions identified by the RPA contain much land that is not optimal for such uses, but that could be optimal for developing “dispersal locations;” further, and critical to some of my substantive concerns for disadvantaged areas, these could benefit from such development, a race to the bottom is avoided.

The mega region can then be seen as an interesting scalar geography: it can contain some of the dispersals of a firm’s operations that feed these new kinds of agglomeration economies. It would suggest that strategic regional planning could aim at maximizing the combination of different locational logics. It is this combination that in my view marks the specificity of the “project” contained in the notion of the megaregion. This kind of region cannot be looked at simply as an outcome: there it is, and let’s then find a packaging that brings a lot of this together under one umbrella. As a term, megaregion has a certain passivity attached to it. Megaregional agglomeration economies, on the other hand, is a notion that captures a dynamic that produces outcomes. This in turn opens up a research agenda: for instance, to understand at what territorial scales such economies are enhanced or become weaker. Megaregion is, however, a catchy term, describing a self-evident condition, and in that sense is an acceptable and digestible term (something we cannot say about megaregional agglomeration economies).

My hypothesis here could be framed as follows: The more an urban region is being shaped by the new economic dynamics, the more its spatial organization will involve agglomeration economies as a function of geographic dispersal of economic activities under conditions of systemic integration, no matter the scale –regional, national or global.

The next section examines one critical aspect of such co-presence: does geographic dispersal feed agglomeration economies? I take the extreme case –the most digitized and globalized firms-- as a natural experiment to understand the parameters of the articulation between geographic dispersal and agglomeration economies, and what it would mean to regionalize this articulation.

**DOES GEOGRAPHIC DISPERSAL FEED AGGLOMERATION ECONOMIES?**

A good starting point is to focus on why the most advanced firms of the knowledge economy are subject to what seem often extreme agglomeration economies, even when they function in electronic markets and produce digitized outputs. Another way to ask it is by focusing on the most globalized and digitized of all knowledge sectors: Why does global finance need financial centers? Or, more generally, why do highly specialized global corporate services that can be transmitted digitally thrive in dense downtowns? This means inserting place in an analysis of knowledge economies that are usually examined in terms of their mobility and space-time compression. Looking at the knowledge economy, and more broadly, global firms, from the optic of regions, cities, or metro-areas, brings in different variables.<sup>13</sup>

Much is known about the wealth and power of today's global firms. Their ascendance in a globalizing world is no longer surprising. Similarly, with the new information and communication technologies, much attention has focused on their enormous capacities for world-wide operations without losing central control. Less clear is why cities or regions should matter for global firms, particularly global firms that are rich enough to buy whatever the technical innovations that free them from place, its frictions, and its costs.

There are several logics that explain why cities matter to the most globalized (dispersed) and digitized firms and sectors in a way they did not as recently as the 1970s. Here I briefly focus on three of these logics.<sup>14</sup>

The first one is that no matter how intensive a user of digital technology a firm is, its operational logic is not the same as the engineer's logic for designing that technology. Confusing these two potentially very diverse logics has produced a whole series of misunderstandings. When the new information and communications technologies (ICTs) began to be widely used in the 1980s, many experts "forecasted" the end of cities as strategic spaces for firms in advanced sectors. Many routinized sectors did leave cities and many firms dispersed their more routine operations to the regional, national and global scale. But the most advanced sectors and firms kept expanding their top-level operations in particular types of cities.

Why were those experts so wrong? They overlooked a key factor: when firms and markets use these new technologies they do so with financial or economic objectives in mind, not the objectives of the engineer who designed the technology. The logics of users

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<sup>13</sup> This spatial lens is also to be distinguished from the more common angle of firms and markets (see, for example, Dieter Ernst. 2005. "The New Mobility of Knowledge: Digital Information Systems and Global Flagship Networks." pp. 89-114 in *Digital Formations: IT and New Architectures in the Global Realm*, edited by Robert Latham and Saskia Sassen. Princeton: Princeton University Press.

<sup>14</sup> For a full development of this subject please see Sassen 2006a (*Territory, Authority, Rights: From Medieval to Global Assemblages*. Princeton, NJ: Princeton University Press ): chs. 5 and 7; 2001 (op. cit.).

may well thwart or reduce the full technical capacities of the technology.<sup>15</sup> When firms and markets disperse many of their operations globally with the help of the new technologies, the intention is not to relinquish control over these operations. The intention is to keep control over top level matters and to be capable of appropriating the benefits/profits of that dispersal.<sup>16</sup> Insofar as central control is part of the globalizing of activities, their top-level headquarter functions actually have expanded because it is simply more complicated and riskier to function in 30 or 50 or more countries, each with distinct laws, accounting rules, and business cultures.

As these technologies are increasingly helpful in maintaining centralized control over globally dispersed operations, their use has also fed the expansion of central operations. The result has been an increase in high-level office operations in major cities and a growth in the demand for high-level and highly-paid professional services, either produced in-house or bought from specialized service firms. Thus the more these technologies enable global geographic dispersal of corporate activities, the more they produce density and centrality at the other end – the cities where their headquarter functions get done.

A second logic explaining the ongoing advantages of spatial agglomeration has to do precisely with the complexity and specialization level of central functions. These rise with globalization and with the added speed that the new ICTs allow. As a result global firms increasingly need to buy the most specialized financial, legal, accounting, consulting and other such services. These service firms get to do some of the most difficult and speculative work. It is increasingly these corporate service firms that evince agglomeration economies, as their work benefits from being in complex environments that function as knowledge centers because they contain multiple other specialized firms and high level professionals with worldwide experience. Cities are such environments – with the forty plus global cities in the world the most significant of these environments, but a growing number of other cities strong in particular elements of such environments. In brief, cities or central places provide the social connectivity which allows a firm to maximize the benefits of its technological connectivity.<sup>17</sup>

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<sup>15</sup> Elsewhere I have explained in detail this thwarting of technical logics by the economic, financial, or for that matter cultural and political logics of users see Sassen 2006a (op.cit): ch 7.

<sup>16</sup> Today's multinationals have over one million affiliates worldwide. Affiliates are but one mode of global operation. For empirical details about the range of formats of global operations see Sassen 2006b. *Cities in a World Economy* 3rd.ed. Sage/PineForge): ch.2; Taylor, Peter J. 2004. *World City Network: A Global Urban Analysis*. New York: Routledge; World Federation of Exchanges. 2007. "Annual Statistics for 2006." Paris: World Federation of Exchanges, (and annual updates).

<sup>17</sup> For a detailed examination of the importnace of the subnational scale for a global market, see Harvey, Rachel. 2007. "The Sub-National Constitution of Global Markets." In *Deciphering the Global: Its Spaces, Scales and Subjects*. Edited by S.Sassen. New York and London: Routledge

A third logic concerns the meaning of information in an information economy. There are two types of information. One is the datum, which may be complex yet is standard knowledge: the level at which a stock market closes, a privatisation of a public utility, a bankruptcy. But there is a far more difficult type of "information," akin to an interpretation/evaluation/judgment. It entails negotiating a series of datums and a series of interpretations of a mix of datums in the hope of producing a higher-order datum. Access to the first kind of information is now global and immediate (even if often for a high fee) from just about any place in the highly developed world and increasingly in the rest of the world thanks to the digital revolution.

But it is the second type of information that requires a complicated mixture of elements -- the "social infrastructure" for global connectivity-- which gives major financial centers a leading edge. When the more complex forms of information needed to execute major international deals cannot be gotten from existing data bases, no matter what one can pay, then one needs to *make* that information; it becomes part of the production process in specialized corporate service firms, including financial services both as service providers and as firms in their own right. That making includes as a critical component interpretation, inference, and speculation. At this point one needs the social information loop and the associated de facto interpretations and inferences that come with bouncing off information among talented, informed people. It is the importance of this input that has given a whole new importance to credit rating agencies, for instance. Part of the rating has to do with interpreting and inferring. When this interpreting becomes "authoritative" it becomes "information" available to all. For specialized firms in these complex domains, credit ratings are but one of these inputs; the making of authoritative information needs to be part of a production process, either in-house or bought from specialized firms. This process of making inferences/interpretations into "information" takes an exceptional mix of talents and resources. Cities are complex environments that can deliver this mix.

The key implication of this analysis for megaregions is the possibility of containing both (at least some of) the dispersed operations of a given firm and the central headquarter operations. The feedback effects of containing both can be significant, feeding simultaneously growth in a megaregion's low-cost possibly marginal areas and in its global cities, or cities that are national business centers.

#### THE ONGOING IMPORTANCE OF CENTRAL PLACES.

Cities have historically provided national economies, polities and societies with something we can think of as centrality. The usual urban form for centrality has been density, specifically the dense downtown. The economic functions delivered through urban density in cities have varied across time. But it is always a variety of agglomeration economies, no matter how much their content might vary depending on the sector involved. While the financial sector is quite different from the cultural sector, both evince agglomeration economies; but the content of these benefits can vary sharply. One of the advantages of central urban density is that it has historically helped solve the risk of

insufficient variety. It brings with it diverse labor markets, diverse networks of firms and colleagues, massive concentrations of diverse types of information on the latest developments, diverse marketplaces. The new information and communication technologies (ICTs) should have neutralized the advantages of centrality and density. No matter where a firm or professional is, there should be access to many of the needed resources. But in fact, the new ICTs have not quite eliminated the advantages of centrality and density, and hence the distinct role of cities for leading global firms. 18

Even as much economic activity has dispersed, the centers of a growing number of cities have expanded physically, at times simply spreading and at times in a multi-nodal fashion. The outcome is a new type of space of centrality in these cities and their metro-areas: it has physically expanded over the last two decades, a fact we can actually measure, and it can assume more varied formats. The geographic terrain for these new centralities is not always simply that of the downtown; it can be metropolitan and even regional. In this process, the geographic space in a city or metro area that becomes centralized often grows denser as measured in number of firms, though not necessarily households, than it was in the 1960s and 1970s. This holds for cities as different as Zurich and Sydney, Sao Paulo and London, Shanghai and Buenos Aires. (But population density is not necessarily the best indicator of this type of density)

The global trend of expanded newly built and rebuilt centralized space suggests an ironic turn of events for the impact of ITCs on urban centrality. Clearly, the spatial dispersal of economic activities and workers at the metropolitan, national and global level that began to accelerate in the 1980s actually is only half the story of what is happening. New forms of territorial centralization of top-level management and control operations have appeared alongside these well-documented spatial dispersals. National and global markets as well as globally integrated operations require central places where the work of globalization gets done, as analyzed in the preceding section.

Centrality remains a key feature of today's global economy. But today there is no longer a simple straightforward relation between centrality and such geographic entities as the downtown, or the central business district (CBD). In the past, and up to quite recently in fact, centrality was synonymous with the downtown or the CBD. Today, partly as a result of the new ICTs, the spatial correlates of the "center" can assume several geographic forms, ranging from the CBD, the metro area, to the new global grid comprising global cities.<sup>19</sup>

Particular urban, metro and regional spaces are becoming massive concentrations of new technical capabilities. A growing number of buildings are the sites for a multiplication of interactive technologies and distributed computing. And particular global communication infrastructures are connecting specific sets of buildings worldwide, producing a highly specialized interactive geography, with global firms willing to pay a high premium in

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18 See, for instance Rutherford, Jonathan. 2004. *A Tale of Two Global Cities: Comparing the Territorialities of Telecommunications Developments in Paris and London*. Aldershot, UK and Burlington, VT: Ashgate.

19 For a full development of these patterns see Sassen 2006b (op.cit.): ch.5.

order to be located in it. For instance, At&T's global business network now connects about 485,000 buildings worldwide; this is a specific geography that actually fragments the cities where these buildings are in as you need to be in a "member" building to access the network. The most highly valued areas of global cities, particularly financial centers, now contain communication infrastructures that can be separated from the rest of the city, allowing continuous upgrading without having to spread it to the rest of the city. And they contain particular technical capabilities, such as frame relays, which most of the rest of the city does not. Multiplying this case for thousands of multinational firms begins to give us an idea of these new inter-city connectivities, largely invisible to the average resident.

One question is whether some of these trans-local operations are actually located within some of the megaregions that concern us here. This is an empirical question, but one with policy/planning implications. Similarly, if we consider these globally networked spaces of centrality as platforms for global operations of firms and markets, we might ask what components of these platforms are contained within a given mega-region. Finally, these platforms consist of a variety of specific geographic sub-national spaces but also electronic spaces. We might then also ask what are the implications for megaregions of the fact that a growing number of subnational scales—from cities to precisely such megaregions—emerge as strategic territories that contribute to articulate a new global political economy, and new national and regional political economies.

#### REGIONAL SPECIFICITY AND KNOWLEDGE ECONOMIES: ANY LINKS?

Let me start by saying that the answer is yes. How much a region's specificity matters will vary, partly depending on that region's economy. My point is that a region's specificity matters more than is usually assumed, and that it matters in ways that are not generally recognized. The policy implications of the argument I develop in this and the ensuing section is that we have focused far too much on competition—between cities, between regions, between countries—and not enough on the emergence of new types of networked systems and the partly associated emergence of an increasingly specialized global divisions of functions. These networked systems arise partly out of the multi-sitedness of firms and out of the evolution of global markets into global platforms open to many and from many different places. And the increasingly specialized global division of functions arises of the multiplication of specialized economic sectors and the increasing complexity of many of these sectors.

Among the key implications for megaregions of these combined trends is that their scale can allow them to capture a large share of those networks, and, secondly, that the specialized economic strengths of a region increasingly matter. Yes there is competition, but it accounts for far less than is usually assumed. What really matters is the specialized difference of a city or region. In this section I examine the connection between regional economic specificity and the formation of advanced knowledge economies. And in the ensuing section I examine the question of increasingly homogenized landscapes and built

environments to understand how regional or urban specificity can co-exist with that homogenizing.

How does a city or a region become a knowledge economy? Let me use the case of Chicago to illustrate what I am trying to get at here. It is common to see Chicago as a latecomer to the knowledge economy (and thus to global city status). Why did it happen so late – almost fifteen years later than in New York and London. Typically the answer is that Chicago had to overcome its agro-industrial past, that its economic history put it at a disadvantage compared to old trading and financial centers such as New York and London.<sup>20</sup>

But I found that its past was not a disadvantage. It was one key source of its competitive advantage. The particular specialized corporate services that had to be developed to handle the needs of its agro-industrial regional economy gave Chicago a key component of its current specialized advantage in the global economy.<sup>21</sup> While this is most visible and familiar in the fact of its preeminence as a futures market built on pork bellies, so to speak, it also underlies other highly specialized components in its global city functions. The complexity, scale and international character of Chicago's historical agro-industrial complex required highly specialized financial, accounting, legal expertise, quite different from the expertise required to handle the sectors New York specialized in –service exports, finance on trade, and finance on finance. Today there are other sectors that are, clearly, also critical to Chicago's advanced service economy, notably the conventions and entertainment sector and cultural industries. But the point here is that Chicago's past as a massive agro-industrial complex gave the city some of its core and distinctive knowledge economy components.

But for this specialized advantage to materialize entails repositioning that past knowledge in a different set of economic circuits. It entails, then, disembedding that expertise from an agro-industrial economy and re-embedding it in a “knowledge” economy –that is to say, an economy where expertise can increasingly be commodified, function as a key input, and, thereby constitute a new type of intermediate economy. Having a past as a major agro-industrial complex makes that switch more difficult than a past as a trading and financial center. This then also explains partly Chicago's “lateness” in bringing that switch about. But that switch is not simply a matter of overcoming that past. It requires a

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<sup>20</sup> For one of the most detailed examinations of the current and past economic patterns of Chicago and its region see Greene (ed) 2006.

<sup>21</sup> This brings to the fore the specialized division of functions in the global economy, one partly constituted and implemented through a proliferation of specialized cross-border city-networks. The critical mass of these networks has expanded to include about forty major and minor global cities. There are many networks and different types of functions/positions for cities. Detecting this has required developing new methodologies (see Taylor 2004 (op. cit.); Alderson, Arthur S. and Jason Beckfield. “Power and Position in the World City System.” *American Journal of Sociology* 109(4): 811-51; and the illuminating debate on questions of method between Taylor and Alderson/Beckfield, forthcoming in *The American Journal of Sociology*). The global network of cities is much more than just a set of crossborder flows connecting cities. It is a complex, highly specialized organizational infrastructure for the management and servicing of the leading economic sectors.

new organizing logic that can revalue the capabilities developed in an earlier era (Sassen 2006a: chapters 1 and 5).<sup>22</sup> It took making to execute the switch.

Through its particular type of past, Chicago illuminates aspects of the formation and the specifics of knowledge economies that are far less legible in cities such as New York and London, which even though they did have manufacturing were dominated by predominantly trading and banking economies. A first issue is then that Chicago's past as an agro-industrial economy points to the mistake of assuming that the characteristics of global cities correspond to those of such old trading and banking centers.

A second issue raised by the Chicago case is that while there are a number of global city regions today with heavy manufacturing origins, many once important manufacturing cities have not made the switch into a knowledge economy based on that older industrial past. Along with Chicago, Sao Paulo, Tokyo, Seoul, and Shanghai are perhaps among today's major global city regions with particularly strong histories in heavy manufacturing. But most once important manufacturing cities, notably Detroit and the English manufacturing cities, have not undergone that type of switch. They were to some extent dominated by a single or a few industries and shaped up more like mono-cultures. This points to the importance of thresholds in the scale and diversity of a region's manufacturing past to secure the components of knowledge production I identify in Chicago's case – specialized servicing capabilities that could be dislodged from the organizational logic of heavy manufacturing and reloaded in the organizational logic of today's so-called knowledge economy.

The specialized economic histories of major cities and regions matter in today's global economy because they are the main way in which national economies are inserted in variable ways in multiple globally networked divisions of functions. It never was "the" national economy that articulated a country with the international division of functions. But today it is even less so because the global economy consists of a vast number of particular circuits connecting particular components of cities and regions across borders. It is at this level of disaggregation that it is best to understand how cities and regions are globally articulated. It is also in this context that we can begin to see how much more the specialized economic histories of a region matter today than they did in the Keynesian period of marked by national territorial convergence, rather than today's targetting, and by mass production rather than today's proliferation of increasingly specialized and diverse services.

Thus, returning to our example, Chicago today has a specialized advantage in producing certain types of financial, legal and accounting instruments because financial, legal, and accounting experts in Chicago had to address in good part the needs of the agro-industrial complex; they had to deal with steel and with cattle produced for the regional, national and international markets. It is this specialized type of knowledge that matters for Chicago's competitive situation in the global market. Chicago, Sao Paulo, Shanghai,

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<sup>22</sup> In Sassen (2006a) I develop this notion of switching (existing capabilities switching to novel organizing logics) in order to understand the formation of today's global economy as well as today's partial denationalizing of state capacities.

Tokyo, and Seoul are among the leading producers of these types of specialized corporate services, not in spite of their economic past as major heavy industry centers, but because of it.

The fact that these distinctions and differences in the specialized economic histories of cities and regions become increasingly prominent and value-adding in today's global, and also national, economy is easily obscured by the common emphasis on competition and cross-border standardization. Competition and standardization have been rescaled partly to the subnational level of cities and regions –this is a reality that it is difficult to avoid. But the emphasis remains on competition, notably inter-city competition, and on standardization –the notion that globalization homogenizes standards of all kinds, business cultures, built environments (no matter how good the architecture).

The economic trajectory and switching illustrated by the case of Chicago contests the thesis of the homogenizing effects of today's advanced economic sectors, a thesis which also brings with it an emphasis on inter-city and inter-regional competition. This thesis and its implications could also be extended to certain types of regions and megaregions with similarly specialized economic trajectories, albeit very different contents. The Chicago case shows that becoming part of a knowledge economy is not simply a question of dropping a manufacturing and agro-industrial past, and then proceed to converge/homogenize on the headquarters-services-cultural sector axis. Critical is executing the switch described earlier –whatever might be the specifics of an area's past.<sup>23</sup>

Further, Chicago also indicates that the meaning of homogenized urban and regional landscapes needs to be examined empirically. It becomes critical to establish the particular specialized sectors that might inhabit that homogenized landscape.

#### HOMOGENIZED BUILT ENVIRONMENTS: OBSCURING ECONOMIC DIFFERENCES

Here I will argue that to variable extents these homogenized and convergent state-of-the-art urban and increasingly regional landscapes are actually functioning as an “infrastructure.” As an infrastructure, these homogenized built environments guarantee the provision of all advanced systems and luxuries needed/desired by the firms and households in leading economic sectors are in place. Office districts, high-end housing and commercial districts, conventional and digital connectivity, cultural districts, security systems, airports, and so on, are all in place and they are all state-of-the-art.

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<sup>23</sup> For very different types of cities and economic trajectories, see for example Amen, Mark M., Kevin Archer, and M. Martin Bosman (eds). 2006. *Relocating Global Cities: From the Center to the Margins*. New York: Rowman & Littlefield; and Gugler, Joseph. 2004. *World Cities Beyond the West*. Cambridge: Cambridge University Press.

Comparative analyses rely on similarities and differences to make their point. Contemporary urbanization, whether at the urban, metro or regional level, is often seen as marked by a homogenizing of the urban landscape and a growing range of its built environments. This is especially so in the case of global cities and global city-regions due to the intensity and rapidity of urban reconstruction in such areas. And yet this obscures the fact of the diversity of economic trajectories through which cities and regions emerge and develop (as discussed in the preceding section), even when the final visual outcomes may look similar. Out of this surface analysis based on homogenized landscapes and built environments, comes a second possibly spurious inference, that this homogenizing is a function of economic convergence, for instance, the notion that we are all moving to (the same) knowledge economy. Both propositions –that similar visual landscapes are indicators of both similar economic dynamics and of convergence— may indeed capture various situations. But these propositions also obscure key conditions that point to divergence and specialized differences; in fact, divergence and specialized difference is easily rendered invisible by such notions. We need to take such spurious inferences into account when understanding the character of these megaregions.

At the most general level we might start with developments at the macro-economic level which can easily lead observers to buy into the homogenization thesis. An important structural trend evident in all reasonably working economies is the growing service intensity in the organization of just about all economic sectors, including rather routine and often non-globalized sectors. Whether in mining and agriculture, manufacturing, or service industries such as transport and health, more firms are buying more producer services. Some of this translates into a growing demand for producer services in global cities, but much of it translates into a demand for such services from regional centers, albeit often less complex and advanced version of those services.

The growth in the demand for producer services is then, in my analysis, a structural feature of advanced market economies which affects most economic sectors. It is not just a feature of globalized sectors.<sup>24</sup> What globalization brings to this trend is a sharp increase in the demand for complexity and diversity of professional knowledge.<sup>25</sup> It is this qualitative difference that leads to the heightened agglomeration economies evinced

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24 For one particular aspect –artistic practice as it feeds into commercialized design—see Lloyd, Richard. 2005. *NeoBohemia: Art and Bohemia in the Postindustrial City*. London and New York: Routledge.

25 In developing the global city model I posited that a critical indicator is the presence of a networked, specialized producer services sector capable of handling the global operations of firms and markets, whether national or foreign. Given measurement difficulties, a proxy for this networked sector is the incidence and mix of producer services in a city. This is frequently reduced to the share of producer services employment as the indicator of global city status. This is fine, though it needs empirical specification as to the quality and mix of the producer services industries. More problematic is to interpret a small share, or a declining share, or a falling growth rate, or a lower growth rate than in non-global cities, as an indicator of global city status decline or as signaling that the city in question is not a global city. Similarly problematic is a variant on this indicator is the share a city has of national employment in producer services and whether it has grown or fallen; the notion here is that if a city such as New York or London loses share of national employment in producer services, it loses power.

by firms in global cities compared to other types of urban areas. But the basic structural trend is present in both types of areas. This perspective also clarifies what is in my view a somewhat misguided interpretation about the higher growth rates of producer services in cities that are not global. The trend is to assume ipso facto that these higher growth rates of producer services reflect decline and/or the departure of producer services from global cities. Those higher growth rates are actually in good part the result of lagged growth of these services throughout the national economy; global cities had their extremely high growth rates much earlier, in the 1980s.<sup>26</sup> The lower growth rates evident in global cities compared with other cities should thus not necessarily be interpreted as losses for the former, but rather as the latter entering this new structural phase of market economies.<sup>27</sup> Looking at matters this way recodes some common interpretations of growth and decline.

What is critical for the analysis in this section is that the growth of this intermediate economy across diverse urban areas amounts to a kind of structural convergence that explains a homogenizing of built environments and spatial patterns even when the sectors serviced are radically different. Regardless of economic sector and geographic location, firms are buying more of these services. A mining firm, a transport firm, and a software firm all need to buy legal and accounting services. To some extent these services may be produced in the same city and in similar built environments, even though they are feeding very different economic sectors and geographic sites of the larger economy, including the megaregional economy. Thus “old economy” sectors such as manufacturing and mining are also feeding the growth of the intermediate economy.

This structural convergence does filter through and homogenizes spatial organization and the visual order of the built environment. It does account for key patterns evident in cities small and large, notably the well-documented growth of a new type of professional class of young urbanites and the associated high-income gentrification and growth of the cultural sector. This convergence and homogenizing of the visual order easily obscures the specific trajectories and contents through which a region develops a knowledge economy, as discussed in the preceding section of this paper.

Seen this way, we can begin to qualify the homogenization and convergence thesis. There is a kind of convergence at an abstract systemic level, and at the level of the needed built environments for the new intermediate economy and the new kinds of professional workforces. But at the concrete, material interface of the economy and its built environments, the actual content of the specialized services that inhabit that built environment can vary sharply.

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<sup>26</sup> On that earlier phase, see, for example Drennan, Mathew P. 1992. “Gateway Cities: The Metropolitan Sources of U.S. Producer Service Exports.” *Urban Studies* 29(2):217-35.

<sup>27</sup> Thus the high growth rates of producer services in smaller cities as compared with global cities is not necessarily a function of relocations from global cities to better priced locations. It is a function of the growing demand by firms in all sectors for producer services. When these services are for global firms and markets their complexity is such that global cities are the best production sites. But when the demand is for fairly routine producer services, cities at various levels of the urban system can be adequate production sites. The current spatial organization of the producer services reflects this spreading demand across economic sectors

From here, then, my proposition that critical components of the homogenized/convergent urban and regional landscape frequently presented as today's quintessential new advanced built environment, are actually more akin to an infrastructure *for* economic sectors. This unsettles the concept (and the reality) of the built environment as we have generally used it. The critical question becomes what inhabits that "infrastructure." Looking similar does not necessarily entail similar contents, circuits, moments of a process. This illustrates the thesis that different dynamics can run through similar institutional and spatial forms, and vice versa.<sup>28</sup> Thus the substantive character of convergence in the global city model, for instance, is not the visual landscape per se but its function as an infrastructure; and it is, above all, the development and partial importation of a set of specialized functions and the direct and indirect effects this may have on the larger city, including its built environment.

One question here is whether this distinction between homogenized built environments and the often highly diverse contents they house also need to become part of our understanding of what is specific to a megaregion.<sup>29</sup> State of the art office buildings or speed rail or airports can look very similar yet serve very different economic sectors. These types of differences are becoming increasingly important to understand a city's, a region's and possibly a megaregion's place in the global economy. There are two reasons for this. One is the shift from a Keynesian spatial economy striving for national territorial convergence to a post-keynesian space economy oriented towards territorial targeting (global cities, silicon valleys, science parks, and so on). The second is that a city's, a region's and possibly a megaregion's advantage in the global economy is a function of positioning in multiple highly particularized, and often very specialized, economic circuits; it is not helpful to think of "the" place of "the" megaregion in "the" global economy.

## SCALING AND ITS CONSEQUENCES.

Moving from the scale of the city to that of an urbanized region alters the analytics. A region easily contains sites that evince agglomeration economies and sites that offer the option of geographic dispersal of activities. Beyond this, questions of power and inequality play out rather differently when we compare regions and cities. To sharpen the focus, I confine the discussion in this section of the paper to global cities and global-city regions. The concept of the global-city region adds a whole new dimension to questions

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<sup>28</sup> In Sassen (2006a) I posit a parallel argument for the liberal state as it is subjected to the forces of economic and political globalization. The outcome does not necessarily mean that these states lose their distinctiveness, but rather that they implement the necessary governance structures to accommodate global projects and that they do so through the specifics of their state organization.

<sup>29</sup> For a detailed examination of this mix of visual, urban engineering, architectural, and economic issues across 16 major cities in the world see Burdett, Ricky (ed). 2006. *Cities: People, Society, Architecture*. New York: Rizzoli; Sudjic, Deyan. 1993. *The Hundred Mile City*. Harvest/HBJ; and 2005. *The Edifice Complex: How the Rich and Powerful Shape the World*.

of territory and globalization.<sup>30</sup> This type of comparison illustrates some of the issues developed in the more analytic discussion of the preceding sections. And it makes the argument in a more descriptive manner, so even if a reader rejects the analytics of the preceding section it still leaves room for the empirics.

A first difference concerns the question of territory. The territorial scale of the region is far more likely to include a cross-section of a country's economic activities than the scale of the city. For instance, it is likely to include as key variables manufacturing and a range of standardized economic sectors that are at the heart of the national economy. This, in turn, brings with it a more benign manifestation of globalization. The concept of the global city introduces a far stronger emphasis on strategic components of the global economy, typically subject to extreme agglomeration economies in top level management functions and specialized corporate servicing; this in turn can lead to extreme forms of power and inequality in the global city. Secondly, the concept of the global city will tend to have a stronger emphasis on the networked economy because of the nature of the industries that tend to be located there: finance, media, and other specialized services. And, thirdly, it will tend to have more of an emphasis on economic and spatial polarization because of the disproportionate demand for very high and very low income jobs in these cities compared with what would be the case for the region which would have far more middle range firms and workers.

Overall, I would say, the concept of the global city is more attuned to questions of power and inequality. The concept of the global-city region is more attuned to questions about the nature and specifics of broad urbanization patterns, a more encompassing economic base, more middle sectors of both households and firms, and hence to the possibility of having a more even distribution of economic benefits under current economic growth dynamics, including economic globalization. In this regard, it could be said that the concept of the global-city region allows us to see the possibilities for a more distributed kind of growth, a wider spread of the benefits associated with economic growth, including growth resulting from globalization.

Secondly, both concepts have a problem with boundaries of at least two sorts, the boundary of the territorial scale as such and the boundary of the spread of globalization in the organizational structure of industries, institutional orders, places, and so on. In the case of the global city I have opted for an analytic strategy that emphasizes core dynamics rather than the unit of the city as a container – a container being an entity that requires territorial boundary specification. Emphasizing core dynamics and their spatialization (in both actual and digital space) does not completely solve the boundary problem, but it does allow for a fairly clear trade-off between emphasizing the core or center of these dynamics and their spread institutionally and spatially. In my work I have sought to deal with both sides of this trade-off: by emphasizing, on the one side of the trade-off, the most advanced and globalized industries, such as finance, and, on the other side, how the informal economy (typically seen as local) in major global cities is articulated with some of the leading industries. In the case of the global-city region, it is

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<sup>30</sup> For a development of this concept see Scott, A. J. 2001. *Global City-Regions*. Oxford: Oxford University Press

not clear to me how Scott (2001) specify the boundary question both in its territorial sense and in terms of its organization and spread.

A third difference is the emphasis on competition and competitiveness, much stronger in the global-city region construct. In my reading, the nature itself of the leading industries in global cities strengthens the importance of cross-border networks and specialized divisions of functions among cities in different countries and/or regions rather than international competition per se. Further, though competitiveness is a necessary condition, it is far less prominent in these sectors which tend to flag "talent" as their key rather than competence, than it would be in developing regional rapid rail where the question of competence (rather than speculative talent, for instance) is essential. Global finance and the leading specialized services catering to global firms and markets --law, accounting, credit rating, telecommunications-- constitute cross-border circuits embedded in networks of cities, each possibly part of a different country. It is a de-facto global system, centered in more than competition and competitiveness.

The industries that will tend to dominate global-city regions are less likely to be networked along these lines. For instance, in the case of large manufacturing complexes, and of final and intermediate consumption complexes, the identification with the national is stronger and the often stronger orientation to consumer markets brings to the fore the question of quality, prices and the possibility of substitution. Hence competition and competitiveness are likely to be far more prominent. Further, even when there is significant off-shoring of production and in this regard an international division of production, as in the auto industry, this type of internationalization tends to be in the form of the chain of production internal to a given firm, which today can cross borders. Insofar as most firms still have their central headquarters associated with a specific region and country, the competition question is likely to be prominent and, very importantly, sited -- i.e. it is the US versus the Japanese auto manufacturers, though even this is changing.

The question of the competitiveness of a region is deeply centered in its conventional infrastructure --transport of all sorts, water and electricity supply and distribution, airports, and so on. To some extent this is also a crucial variable in the case of global cities, but it is a far more specialized type of infrastructure in the latter. The regional scale brings to the fore questions of public transport, highway construction, and kindred aspects in a way that the focus on global cities does not. Again, it reveals to what extent a focus on the region produces a more benevolent representation of the impacts of the global economy. A focus on the regional infrastructure is far more likely to include strong consideration of middle class needs. In contrast, a focus on the global city will tend to bring to the fore the growing inequalities between highly provisioned and profoundly disadvantaged sectors and spaces of the city, and hence questions of power and inequality.

A fourth difference, connected to the preceding one, is that a focus on networked cross-border dynamics among global cities also allows us to capture more readily the growing intensity of such transactions in other domains --political, cultural, social, criminal.<sup>31</sup> We

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<sup>31</sup> I cannot resist referring to a book that breaks new terrain in this regard: Hagedorn, John, ed. 2004. *Gangs in the Global City: Exploring Alternatives to Traditional Criminology*. Chicago: University of Illinois at Chicago.

now have evidence of greater cross-border transactions among immigrant communities and communities of origin and a greater intensity in the use of these networks once they become established, including for economic activities that had been unlikely until now. We also have evidence of greater cross-border networks for cultural purposes, as in the growth of international markets for art and a transnational class of curators; and for non-formal political purposes, as in the growth of transnational networks of activists around environmental causes, human rights, and so on. These are largely city-to-city cross-border networks, or, at least, it appears at this time to be simpler to capture the existence and modalities of these networks at the city level. The same can be said for the new cross-border criminal networks. Dealing with the regional scale does not necessarily facilitate recognizing the existence of such networks from one region to the other. It is far more likely to be from one specific community in a region to another specific community in another region, thereby neutralizing the meaning of the region as such.

One key implication of this comparison is that we need to control for some of the inevitable differences that are a function of scale per se. There is a risk of reifying the spatial organization of a bounded terrain, such as the megaregions identified by RPA. Comparing a city and a region does add important information to our effort of understanding the variability of location and of the advantages of proximity. But it is also a fact that the reality of a megaregion may well rest on dynamics that underlie both of these –city and region.

Part of the task of specifying megaregions needs to get at these sharp differences within a region and at the possibly shared dynamics underlying these differences: thus the multipolarity and geographic dispersal that characterize these megaregions may in part also feed agglomeration economies in these regions' cities arising precisely out of that dispersal. A critical question is whether some of these diverse formations –multipolarity, dispersal, agglomeration—can be re-regionalized. This can take two forms, one more elementary and one more complex. The elementary one is increasing the range of formations that could be incorporated within a megaregion, rather than only thinking in terms of the high-end of an economic sector or a firm's operations, as is often done. The complex form is to increase the range of formations that are part of a given growth sector or a firm's multi-sited chain of operations. Such a re-regionalizing of the components of economic growth could emerge as a major advantage of megaregions.

**BIO:**

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in over 30 countries; it is published as one of the volumes of the *Encyclopedia of Life Support Systems* (Oxford, UK: EOLSS Publishers) [<http://www.eolss.net>]. Other recent books are the 3<sup>rd</sup>. fully updated Cities in a World Economy (Sage 2006), A Sociology of Globalization (Norton 2007), and the co-edited Digital Formations: New Architectures for Global Order (Princeton University Press 2005). The Global City came out in a new fully updated edition in 2001. Her books are translated into sixteen languages. She serves on several editorial boards and is an advisor to several international bodies. She is a Member of the Council on Foreign Relations, a member of the National Academy of Sciences Panel on Cities, and Chair of the Information Technology and International Cooperation Committee of the Social Science Research Council (USA). Her comments have appeared in *The Guardian*, *The New York Times*, *Le Monde Diplomatique*, the *International Herald Tribune*, *Newsweek International*, *Vanguardia*, *Clarín*, the *Financial Times*, among others.