Cities Today: A New Frontier for Major Developments

By
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The article examines several major structural trends contributing to the shift from the Keynesian routinized city to the strategic city that begins to emerge in the 1980s. Among the trends examined is the growth of the firm-to-firm economy, which includes corporate and industrial services as well as "urban manufacturing." These kinds of services tend to be produced in cities, even when the firms being served are nonurban, such as mines, steel plants, or large factories. A second key, and counterintuitive, trend is the ongoing importance of spatial centrality for our most advanced economic sectors. The more globalized and digitized a sector becomes, the more its firms suffer from incomplete knowledge about their markets. Urban centrality enables the making of what the author calls *urban* knowledge capital: a collective production that is more than the sum of the knowledge of the professionals and the firms present in a city.

Keywords: intermediate economy; urban manufacturing; centrality; knowledge economy; informal creative economy

The rise of cities as strategic economic spaces is the consequence of a deep structural transformation found in all developed economies: the urbanizing of a growing range of economic activities. Even firms in the most material economic sectors (mines, factories, transport systems, construction) rely on services that tend to be located in an urbanized environment: insurance, accounting, legal, financial, consulting, software programming, and so on. Thus, even an economy based on manufacturing or mining will feed the so-called urban intermediate services sector. While this structural

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trend does not account for the whole urban economy, it marks a novel phase for cities and urban regions. Its sharp concentrations of both high- and low-income jobs and high- and low-profit firms, along with their specific multiplier effects, reshape the built environment of cities. Office districts, residential spaces, and spaces for consumption and entertainment all are at least partly reshaped by this new structural development. This also explains the renewed importance of architecture and urban design since the 1980s. Here, I focus on this major structural development and some of the associated urban effects. The article concludes with a discussion of some novel trends that require more attention from policy makers and urban researchers: the rise of a new type of manufacturing I refer to as "urban manufacturing," the rise of an informal creative economy.

The Urbanizing of Economic Activities

It has been suggested that cities have become strategic since the 1980s because of the ongoing need for face-to-face communications and the need for creative classes in the new economic sectors. But in my reading, these are simply the consequences of the above-mentioned deeper structural transformation: the growing demand for intermediate services even in traditional economic sectors.

The growth effects of this trend are evident in a broad range of cities, from the provincial to the global. Firms operating in more routinized and subnational markets increasingly buy these services from more local or regional cities, which explains why we see the growth of a professional class and the associated built environments and new sociospatial inequalities in provincial and regional cities as well as in global centers, which handle the more complex needs of firms and exchanges operating globally. Thus, the growing demand for intermediate services cuts across the binary that opposes heavy traditional economic sectors to advanced services, and it cuts across the binary that opposes the national to the global. In its most extreme form, these trends contribute to the growth in the numbers of global cities worldwide, including in the United States, which now counts eleven cities in the top seventy-five. (See Table 1.)

Firms across economic sectors, from agriculture to finance, are buying more services. This is happening in addition to the ongoing growth of consumer services. For instance, the gross output of finance, insurance, and real estate (FIRE) overall (including sales to firms and to consumers) in the United States grew by 7.6 percent from 1999 to 2003, almost double the 4.1 percent overall growth rate for the U.S. economy in those years. But if we measure only intermediate sales (sales of FIRE to other firms), the growth rate jumps to 11.8 percent. If we break it down even further and measure just the fastest-growing intermediate sectors (securities and linked trading), the growth rate is 34 percent. Similar, though less dramatic, results are evident in other economic sectors: wholesale trade as an intermediate input grew by 9.4 percent from 1999 through 2003 versus 4.4 percent

TABLE 1
THE TOP MAJOR AND MINOR GLOBAL CITIES, 2008

City		Worldwide Centers of Commerce Index
1	London	79.17
2	New York	72.77
3	Tokyo	66.60
4	Singapore	66.16
5	Chicago	65.24
6	Hong Kong	63.94
7	Paris	63.87
8	Frankfurt	62.34
9	Seoul	61.83
10	Amsterdam	60.06
11	Madrid	58.34
12	Sydney	58.33
13	Toronto	58.16
14	Copenhagen	57.99
15	Zurich	56.86
16	Stockholm	56.67
17	Los Angeles	55.73
18	Philadelphia	55.55
19	Osaka	54.94
20	Milan	54.73
21	Boston	54.10
22	Taipei	53.32
23	Berlin	53.22
24	Shanghai	52.89
25	Atlanta	52.86
26	Vienna	52.52
27	Munich	52.52
28	San Francisco	52.39
29	Miami	52.33
30	Brussels	52.16
31	Dublin	51.77
32	Montreal	51.60
33	Hamburg	51.53
34	Houston	51.30
35	Dallas	51.25
36	Washington, D.C.	51.19
37	Vancouver	51.10
38	Barcelona	50.90
39	Düsseldorf	50.42
40	Geneva	50.13

SOURCE: Showing 1-40 only since no U.S. city was among 41-75 of MasterCard's top 75. MasterCard (2008).

as a gross output. Overall, private services as an intermediate input grew by 9 percent versus 6.2 percent gross output growth for this sector. (See generally BEA 2004, Table 12a; 2008, Table 12a; Sassen 2006, 81-109.)

Beyond the basic fact of a growing intermediate economy located largely in cities, there are at least three dynamics that explain the growth of the new intermediate economy.[1] One of these is the growing complexity of central corporate functions required once a firm is no longer local and begins to operate in a regional, national, or global market. Each of these expanded scales of operation brings added market uncertainties, which become acute when operating in many different countries. Such expansions also are likely to incorporate the need to set up affiliates or other types of partnerships, further adding to the complexity of management operations. This added complexity brings with it a growing demand for intermediate services to handle central corporate functions that were previously managed in-house. But firms are not the only ones moving in this direction. Over the past fifteen years, governments worldwide have increasingly contracted for specialized and technical services, with ups and downs depending on economic recessions.

Second, the specialized service firms are subject to agglomeration economies, savings realized from firms clustering together in space, and thus tend to concentrate in cities, even when the headquarters themselves have moved out of cities. The combination of the complexity of the services they need to produce, the uncertainty of the markets they are involved with either directly or through the headquarters for which they are producing the services, and the growing importance of speed in all these transactions constitutes a new dynamic for agglomeration economies. The mix of firms, talents, and expertise from a broad range of specialized fields makes a complex city function as an information center. Being in a city becomes synonymous with being in an extremely intense and dense information loop, one that as of now cannot be replicated fully in electronic space and that has as one of its value-added features the fact of unforeseen and unplanned mixes of information, expertise, and talent, which can produce a higher order of information. Furthermore, this is an environment that helps you "get" information you did not know you needed, always a critical dimension in complex work. This does not hold for routinized activities, because these are not as subject to uncertainty and nonstandardized forms of complexity. Global cities are, in this regard, production sites for the leading information industries of our time.

A third major dynamic, derived from the preceding one, is that the more headquarters outsource their most complex and nonstandard functions, particularly those subject to uncertain and changing markets and a correlative need for the speedy exchange of information, the freer they are to opt for any location. The reason is that much of the work subject to agglomeration economies is increasingly done by the new intermediate economy rather than by headquarters. In this regard, the key sector specifying the distinctive production advantages of global cities is the highly specialized and networked intermediate economy rather than corporate headquarters. In developing this argument, I am responding to a very common notion that the number of headquarters is what specifies a global city.

Empirically it may still be the case in many countries that the leading business center is also the leading concentration of headquarters, but this may well be due to an absence of alternative location options. In countries with a well-developed infrastructure outside the leading business center, there are likely to be multiple location options for such headquarters.

The new intermediate economy of specialized services is, then, quite urban. It is one factor contributing to a novel dynamic for agglomeration economies. The factor that gave rise to the original agglomeration economies was the cost of transport given the weight of key inputs. Today, it is the costs of imperfect knowledge in an economy where managing speed and risk are critical. Where in the past such agglomeration economies would necessarily take on the territorial form of the center—the central business district (CBD)—today's digital technologies and digitizing of economic activities would suggest that this type of territorial centrality is no longer necessary. And yet, the new dynamics feeding the advantages of agglomeration also thrive in central spaces.

The Ongoing Weight of Centrality and Density: The Other Side of Global Dispersal

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 have varied across time, but these functions always reflect a variety of agglomeration economies, no matter how much their content might vary depending on the sector involved. Thus, while the financial sector and the cultural sector receive very different benefits from agglomeration, both can be said to benefit from it. One of the advantages of urban density is that historically it has 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, and so on.

The spatial dispersal of economic activities and workers at the metropolitan, national, and global levels that began to accelerate in the 1980s actually represents only half 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 shown by the case of financial centers. Centrality thus remains a key feature of today's global economy. But today there is no longer a simple, straightforward relationship between centrality and such geographic entities as the downtown or the CBD. Until quite recently, the center was synonymous with the downtown or the CBD. Today, the spatial correlates of the center can assume several geographic forms, ranging from the CBD to the new global grid comprising the seventy-five global cities discussed earlier.

There are several logics that explain why cities matter to the most globalized and digitized sectors in a way they did not as recently as the 1970s. Here, I briefly focus on two of these logics.

The first one concerns technology and its many misunderstandings. When the new information and communication technologies (ICTs) began to be widely used in the 1980s, many experts forecast the end of cities as strategic spaces for firms in advanced sectors. The new ICTs were expected to neutralize the advantages of centrality and density. No matter where a firm or professional is, it was thought, there should be access to many of the needed resources. But the new ICTs have not eliminated urban centrality and density. In fact, even as economic activity has dispersed, the centers of a growing number of cities have expanded physically, at times simply spreading and at times in a multinodal fashion. The geographic terrain for these new centralities is not always simply that of the downtown; it can be metropolitan and regional. In this process, the geographic space of a city or metropolitan area that becomes centralized often grows denser than it was in the 1960s and 1970s. This holds for cities as different as Zurich and Sydney, São Paulo and London, Shanghai and Buenos Aires.

But given the prominence of new technology in the global economy, why has the predicted loss of centrality not arrived? It is true that today's multinationals have expanded and have more than a million affiliates worldwide, but it was the routinized sectors that left cities while advanced sectors kept expanding their operations in more and more cities. As multinationals have decentralized their routinized sectors, they also have expanded their central headquarters functions and fed the growth of a separate, specialized services sector from which they are increasingly buying what they once produced in-house. When firms and markets globalize their operations thanks to the new technologies, the intention is not to relinquish control over the worldwide operation or appropriation of the benefits of that dispersal. Insofar as central control is part of the globalizing of activities, their central operations expand as they expand their operations globally. The more powerful these new technologies are in allowing centralized control over globally dispersed operations, the more these central operations expand. The result has been expanded office operations in major cities. 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 headquarters functions get done.

A second 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 privatization of a public utility, the bankruptcy of a bank. But there is a far more difficult type of "information," akin to an interpretation/evaluation/judgment. It entails negotiating a series of data and a series of interpretations of a mix of data in the hope of producing a higher-order datum.

Thanks to the digital revolution, access to the first kind of information is now global and immediate from just about anyplace in the highly developed world and

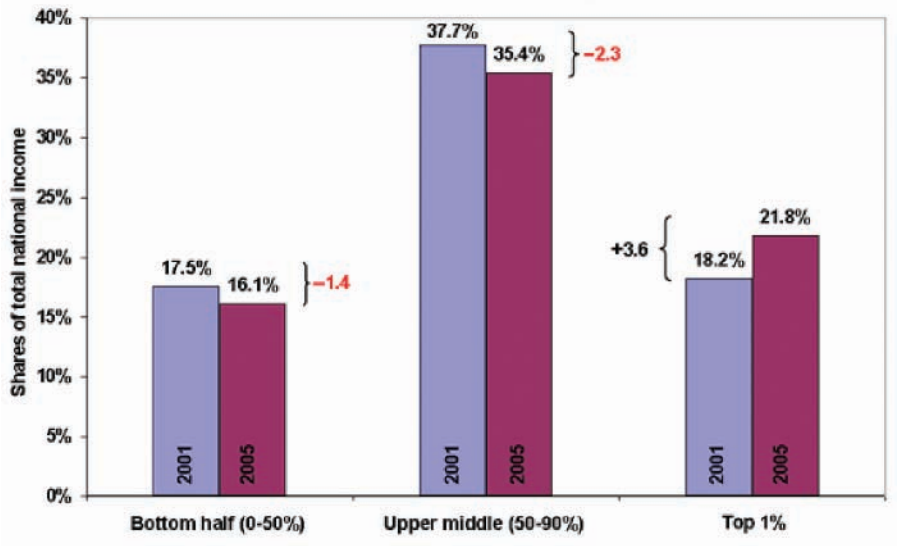
increasingly available even in less developed places. But it is the second type of information that requires a complicated mixture of elements—something we might think of as the social infrastructure for global connectivity. It is this that gives major financial and/or business centers a leading edge. When the more complex forms of information needed to execute major international deals cannot be gotten from existing databases, no matter what one can pay, then one needs the social information loop and the associated de facto interpretations and inferences that come with bouncing 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. The process of making inferences/interpretations into information takes quite a mix of talents and resources. In brief, the density of central places provides the social connectivity that allows a firm or market to maximize the benefits of its technological connectivity. Cities can generate kinds of knowledge, both formal and informal, that go beyond the sum of recognized knowledge actors (e.g., professionals and professional firms in the case of the economy). This is a type of immaterial capital I call "urban knowledge capital."

New Sociospatial Patterns in U.S. Cities

The outcomes of this structural condition get wired into urban space. The growth of a high-income professional class and high-profit corporate service firms becomes legible in urban space through the growing demand for state-of-the-art office buildings and all the key components of the residential sphere and consumption. This growing demand leads to often massive and visible displacements of more modest-income households and modest-profit-making firms, no matter how healthy these may be from the perspective of the economy and market demand. In this process, urban space itself reproduces economic and racial inequality.[2]

This inequality is illustrated in national-level data that show a sharp growth in economic inequality in the United States in recent years. From 2001 to 2005, most economic growth went to the upper 10 percent of households, especially the upper 1 percent. The rest—that is, 90 percent of households—saw a 4.2 percent decline in their market-based incomes (see Mishel 2007). If we disaggregate that 90 percent, the size of the loss grows as we descend the income ladder (see Figure 1). And wealth is even more unequally distributed than income: the top 10 percent earned 42.5 percent of all household income but held 71.2 percent of all net worth in 2004; the average wealth held by the top 1 percent is close to $15 million compared with $81,000 for households in the middle 20 percent of the wealth distribution; 30 percent of households have a net worth of less than $10,000. Perhaps most extreme, 30 percent of black households have zero or negative net wealth.[3] Cities are key spaces where these trends become concrete.

FIGURE 1
U.S. SHARES OF TOTAL NATIONAL INCOME, 2001 AND 2005



SOURCE: Mishel (2007).

A sharp representation of these distributions emerges out of the polarization of urban space. This is increasingly symbolized by an emergent tendency in advanced capitalism for growth sectors to produce very good and very bad jobs, with very little middle ground. I already detected this trend in the early 1980s in my research on New York City (see Sassen-Koob 1984). Recent analyses of job quality and job availability show growth concentrated at the bottom and top 20 percent of the quality spread and a "deep trough in job expansion in the middle quintile of the job quality distribution in the 1990s" (Wright and Dwyer 2007). The low-income workers and households are disproportionately concentrated in large cities. Thus, while the official U.S. poverty rate is already high for a rich country (about 18 percent), it is far higher in many U.S. cities. This is true even for cities not considered poor: the poverty rate is 38 percent in Miami; 25 percent in New York, Chicago, and Minneapolis; and 23 percent in Houston, Los Angeles, and Washington, D.C. Even as they house disproportionate amounts of poverty, these same cities also have far more high-income households than the national average: more than 30 percent in San Francisco, 26 percent in Washington, D.C., 20 percent in New York and Boston, 19 percent in Los Angeles, and 17 percent in Chicago. Table 2 presents these segmentations in some of the most powerful and rich cities, showing poverty rates and median income by race and ethnicity.

TABLE 2
ECONOMIC INEQUALITY IN MAJOR U.S. CITIES BY RACE, 2006

City	White Median Income ($)	Black Median Income ($)	Latino Median Income ($)	Asian Median Income ($)	White Poverty Rate (%)	Black Poverty Rate (%)	Latino Poverty Rate (%)
Atlanta	77,236	25,674	37,673	44,102	7.2	32.8	—
Boston	60,521	31,915	28,276	37,044	12.9	26.8	27.0
Chicago	60,166	28,607	39,526	51,677	9.7	32.0	21.6
Dallas	60,191	28,200	31,466	46,779	7.6	28.2	29.0
Houston	61,124	29,772	32,367	42,455	8.9	29.9	25.5
Los Angeles	62,634	31,051	35,496	49,920	10.0	26.3	24.9
Miami	63,723	18,710	25,673	36,541	14.7	41.0	24.8
New York	62,931	36,589	32,791	48,951	11.1	22.7	27.9
Philadelphia	43,580	26,728	23,469	36,221	13.8	31.6	39.2
San Francisco	82,177	31,080	49,561	55,072	9.1	31.1	15.2
Washington, D.C.	91,631	34,484	43,547	67,137	8.1	26.8	18.4
Average	65,992	29,346	34,531	46,900	10.3	29.9	25.2

SOURCE: Based on Brookings Institution (n.d.).

One key factor in the enormous earnings increase of the top 10 percent of the population is the expansion and consolidation of high-level services, mostly for firms. While these services are also bought by governments and households, it is above all the new requirements of doing business, running exchanges and other complex organizations (whether hospitals, mines, or financial services firms), that feed the most advanced components of this sector. While this sector may not account for the majority of jobs, it establishes a new regime of economic activity, and the associated spatial and social transformations are particularly evident in major cities.[4]

This new economic concentration has caused an influx of high-income, generally white professionals and managers, whose arrival has altered the racial makeup of many major American cities.[5] Thus, Atlanta, which according to the data presented in Table 1 is now counted among the top echelons of U.S. global cities, has seen its white population grow by 20 percent from 2000 to 2005 according to the Brookings Institution study (see note 8). And Washington, D.C., which has established itself as a key economic center over the past few years, has seen its white population grow by 15 percent. In comparison, New York, which has long been a global city, had only a 1.9 percent white growth in this period; the equivalent period for New York came in the 1980s and early 1990s, when its only growing population segments, amid overall population decline, were highly educated young whites and immigrants. In the rest of the twenty-five cities in the Brookings Institution sample, the white population had negative growth rates, ranging from small changes of between –2 and –5 percent for Denver,

TABLE 3
MAJOR U.S. CITIES: FOREIGN-BORN POPULATION ENTERING UNITED STATES SINCE 2000, 2006

City	Foreign-Born Population	Entered United States since 2000	Share (%)
Atlanta	34,682	16,563	47.8
Boston	156,591	45,030	28.8
Chicago	599,802	140,332	23.4
Dallas	321,253	98,043	30.5
Houston	576,035	177,772	30.9
Los Angeles	1,507,032	308,462	20.5
Miami	206,485	49,499	24.0
New York	3,038,139	628,944	20.7
Philadelphia	157,661	54,095	34.3
San Francisco	270,357	51,923	19.2
Washington, D.C.	73,820	24,189	32.8

SOURCE: Based on Brookings Institution (n.d.).

San Francisco, and Houston to –7 percent for Chicago and –14 percent for Miami. In this second group, Chicago is the only global city in the top five worldwide (see Table 1); its global power has grown sharply in the past decade, and its white resident population has also grown but only in the center of the city, rather than Cook County, the larger unit usually measured (see *Urban Geography* 2008).

The increasing interconnection of the worldwide network of global cities has also brought with it transnational professionals and managers, causing the foreign-born populations of American cities to grow most significantly in their share of immigrants since 2000. The portion of the foreign population entering the country since 2000 is 48 percent in Atlanta; 33 percent in Washington, D.C.; 31 percent in Houston; 24 percent in Miami; 23 percent in Chicago; and about 20 percent in New York, San Francisco, and Los Angeles (see Table 3).

The Urbanization of the Financial Crisis

The growth and consolidation of high-level services not only had the demographic impacts just outlined but also partly explain why architecture, urban design, and urban planning have played such critical roles. Beginning in the 1980s, we saw the partial rebuilding of cities as platforms for a rapidly growing range of globalized activities and flows, from economic to cultural and political. But the expansion of high-level service functions not only changed urban space by investing in it—as part of the historic trend in real estate investment that built the modern city—but was associated with the arrival of a new form of

investment. In a phase that began in the mid-1980s and reached its peak beginning in 2002, the city became a site for extracting the savings of modest- and low-income households via subprime lending. The critical mechanism is the securitizing of mortgages for modest-income households, which means that the source of profit is not the repayment of the loan, as in traditional lending, but the selling of bundles of such mortgages to investors. Under these conditions, the premium lies in speeding up the bundling of these mortgages rather than in the creditworthiness of the mortgage borrower. As we know now, the result has been extremely high rates of foreclosures— with modest-income households losing both their homes and whatever savings they put into those mortgages. These financial mechanisms have made the city a site for extracting the savings of even modest-income households—and if they had no savings, they had then their future earnings against present debt; this is in many ways as effective as extracting savings on labor costs through job outsourcing to low-wage countries (Sassen 2008b).

The costs of the current financial crisis, especially its subprime mortgage component, extend to whole metropolitan areas. The loss of property tax income for municipal governments varies across different types of cities and metropolitan areas. Table 4 shows the ten metropolitan areas with the largest estimated losses of real gross municipal product (GMP) for 2008 due to the mortgage crisis, as measured by Global Insight 2007.[6] The total economic loss of these ten metropolitan areas is estimated at more than $45 billion for 2008. New York lost more than $10 billion in GMP; Los Angeles $8.3 billion; and Dallas, Washington, D.C., and Chicago each about $4 billion.

As mentioned above, subprime and similar kinds of mortgages for modest-income households become a mechanism to extract the small savings of modest-income households (Sassen 2008b). This becomes evident in the data for detailed local levels. In the case of the United States, race and locality can make quite a difference. Tables 5, 6, and 7 show clearly that race and income level matter: African Americans and low-income neighborhoods show a disproportionately high incidence of subprime mortgages from 2000 to 2007 (see also Hernandez 2009; Newman 2009; Wyly et al. 2009). Table 5 shows the extreme difference between Manhattan (one of the richest counties in the country) and other New York City counties: in 2006, fewer than 1 percent of mortgages sold to Manhattan home buyers were subprime, compared with 27.4 percent in the Bronx. This table also shows the sharp rate of growth of subprime mortgages in all boroughs, except Manhattan.

A further breakdown by neighborhoods (community districts) in New York City shows that the worst-hit ten neighborhoods were poor; in those neighborhoods, between 34 and 47 percent of all home mortgages were subprime mortgages (Table 6). Finally, we see a similar pattern if we control for race (Table 7). Whites, who have a far higher average income than all the other groups in New York City, were far less likely to have subprime mortgages than all other groups, reaching just 9.1 percent in 2006 compared with 13.6 percent of Asians, 28.6 percent of Hispanics, and 40.7 percent of blacks. The table also shows that all groups, regardless of incidence, had high growth rates in subprime lending

TABLE 4
U.S. METRO AREAS WITH LARGEST LOSSES OF GROSS MUNICIPAL PRODUCT (GMP), ESTIMATES FOR 2008

Rank	2008	Revised Real GMP Growth, %	Loss in Real GMP Growth, %	Loss of GMP, $Millions
1	New York-Northern New Jersey-Long Island, NY-NJ-PA	2.13	–0.65	–10,372
2	Los Angeles-Long Beach-Santa Ana, CA	1.67	–0.95	–8,302
3	Dallas-Fort Worth-Arlington, TX	3.26	–0.83	–4,022
4	Washington-Arlington-Alexandria, DC-VA-MD-WV	2.79	–0.60	–3,957
5	Chicago-Naperville-Joliet, IL-IN-WI	2.23	–0.56	–3,906
6	San Francisco-Oakland-Fremont, CA	1.88	–1.07	–3,607
7	Detroit-Warren-Livonia, MI	1.30	–0.97	–3,203
8	Boston-Cambridge-Quincy, MA-NH	2.16	–0.99	–3,022
9	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1.85	–0.63	–2,597
10	Riverside-San Bernardino-Ontario, CA	3.51	–1.05	–2,372

SOURCE: Global Insight, Inc. (2007, 5).

TABLE 5
NEW YORK CITY, RATE OF SUBPRIME LENDING BY BOROUGH, 2002-2006 (IN PERCENTAGES)

	2002	2003	2004	2005	2006
Bronx	14.2	19.7	28.2	34.4	27.4
Brooklyn	9.2	13.9	18.4	26.1	23.6
Manhattan	1.3	1.8	0.6	1.1	0.8
Queens	7.7	12.6	17.8	28.2	24.4
Staten Island	7.2	11.1	13.9	19.9	17.1
NYC Total	7.0	10.8	14.9	22.9	19.8

SOURCE: Furman Center for Real Estate & Urban Policy (New York University 2007).

from 2002 to 2006. If we consider the most acute period, 2003 to 2005, it more than doubled for whites, basically tripled for Asians and Hispanics, and quadrupled for blacks.

TABLE 6
TEN NEW YORK CITY COMMUNITY DISTRICTS WITH THE HIGHEST RATES OF SUBPRIME LENDING, 2006

Sub-Borough Area	Percentage of Home Purchase Loans Issued by Subprime Lenders
University Heights/Fordham	47.2
Jamaica	46.0
East Flatbush	44.0
Brownsville	43.8
Williamsbridge/Baychester	41.6
East New York/Starrett City	39.5
Bushwick	38.6
Morrisania/Belmont	37.2
Queens Village	34.6
Bedford-Stuyvesant	34.2

SOURCE: Furman Center for Real Estate & Urban Policy (New York University 2007).

TABLE 7
RATE OF CONVENTIONAL SUBPRIME LENDING BY RACE IN NEW YORK CITY, 2002-2006 (IN PERCENTAGES)

	2002	2003	2004	2005	2006
White	4.6	6.2	7.2	11.2	9.1
Black	13.4	20.5	35.2	47.1	40.7
Hispanic	11.9	18.1	27.6	39.3	28.6
Asian	4.2	6.2	9.4	18.3	13.6

SOURCE: Furman Center for Real Estate & Urban Policy (New York University 2007).

Urban Manufacturing and Informal Economies

Often overlooked in commentaries about urban economies (small or large, global or not) are the multiple articulations between the "backward" and the most advanced economic sectors. We can see a critical instance of this interpenetration of the advanced and the informal in a particular type of manufacturing that is very much part of today's urban economies, including (and, indeed, especially) the most advanced ones. We call this "urban manufacturing."

Urban manufacturing has several characteristics: (1) It needs an urban location because it is deeply networked; it operates in contracting and subcontracting chains. (2) It is often fairly customized and hence needs to be in proximity to its customers and needs access to good craft workers. (3) It inverts the historic relationship between services and manufacturing (historically, services developed to serve the needs of manufacturers) in that it serves service industries. This is

manufacturing geared to designers of all sorts (jewelry and furniture designers, architects, interior decorators), cultural industries (theaters and opera houses need sets and costumes), the building trades (making various types of woodwork and metalwork), and other sectors that are very much part of even the most advanced service-based economies.

Once we bring this type of sector into the picture, we can recover a variety of articulations among economic sectors that are obscured in a "leading-sector" focus. Indeed, in the case of New York City, we see that the more dynamic the advanced corporate services and the cultural sector, the more dynamic the urban manufacturing sector. In many (though not all) small and large cities, urban manufacturing provides an often-missed opportunity to articulate multiple components of urban economies more strongly and effectively. One can reach a multiplier effect whereby the whole is more than the sum of its parts, that is, the network effect that lies at the heart of urban manufacturing. It is not only finance and high-tech sectors that are networked.

Furthermore, in this networked urban manufacturing, there is a prisoner's dilemma that can work to the advantage of the city: a single firm cannot move out without losing the network effect. So individual firms are more likely to stay in the town. Or the whole network has to move together, but these tend to be individually owned small factories with independent-minded owners: no central plan to move together for these owners. Thus, a town that puts in the effort and resources to develop urban manufacturing is likely to be in a win-win situation if there is demand for these products, which means it needs some type of dynamic service economy. This would then be a very different angle from which to look at the service economy: ensure a dynamic service sector in your economy so that you can have a dynamic urban manufacturing sector.

Just as urban manufacturing is intimately connected with—not opposed to—an advanced corporate services sector, much of the economic informalization that has appeared in major global cities in North America, Western Europe, and, to a lesser extent, Japan is actually linked to key features of advanced capitalism (Sassen 2006, chaps. 6 and 7). In this regard, they are new types of informal economies. This in turn also explains the particularly strong presence of informal economies in global cities. And it helps explain a mostly overlooked development: the proliferation of an informal economy of creative professional work in these cities—artists, architects, designers, software developers, and so on. Finally, we are seeing similar trends toward the emergence of the new types of informal economy in major cities in Latin America, Africa, and much of Asia.

In brief, the new informal economy in global cities is part of advanced capitalism. One way of putting it is that the new types of informalization of work are the low-cost equivalent of formal deregulation in finance, telecommunications, and most other economic sectors in the name of flexibility and innovation. The difference is that while formal deregulation was costly, and tax revenue as well as private capital went into paying for it, informalization is low-cost and largely on the backs of the workers and firms themselves.

These negative features tend not to affect the new creative professional informal economy. Indeed, informalization greatly expands opportunities and

networking potential. Nonetheless, there are strong reasons why these artists and professionals operate at least partly informally. It allows them to function in the interstices of urban and organizational spaces often dominated by large corporate actors and to escape the corporatizing of creative work. In this process, they contribute a very specific feature of the new urban economy: its innovativeness and a certain type of frontier spirit. In many ways, this represents a reinvention of Jane Jacobs's (Goldsmith and Elizabeth 2010) urban economic creativity,[7] as is well described in Roberta Brandes Graz's (2010, Chapter 7) chapter on factories in New York City that are linked to top-level design sectors, such as making classic-style furniture to be sold through the Museum of Modern Art.

The so-called creative industries sector can function as an indicator of the potential for a creative informal economy. The Occupational Employment Statistics (U.S. Bureau of Labor Statistics 2002) show that in 2002, nearly 68 percent of authors and more than 50 percent of artists and photographers in the United States as a whole were self-employed; other percentages range from musicians and singers at almost 40 percent through architects at almost 22 percent to broadcasting technicians at just under 10 percent. Nonemployer firms (firms with no paid employees) and self-employment are two venues through which informal creative work can thrive. The Otis 2008 report finds that nonemployer firms have grown steadily since 2000 in Los Angeles, with revenues/receipts of nearly $5 billion in 2006; 39.3 percent of this income was generated in the "independent artists, writers, and performers" categories. Nearly 28 percent of New York City's creative workforce is self-employed—roughly seventy-nine thousand people as of 2005—comprising a broad range of sectors: fashion, toys, architecture and interior design, art galleries, fine and performing arts, furniture and home furnishings, entertainment, communication arts, and digital media (Center for an Urban Future 2005; see also the appendix of the Economic Development Strategy for the City of Portland [Portland Development Commission 2002]).

Finally, researchers who have studied the work choices of immigrants have found that informal work is often a bridge into a better job even at high-growth times, rather than the only way of surviving or a way of escaping taxes (Sassen 2006, chaps. 6 and 7). In her research on the East Village of New York City, Snyder (2004, 215) finds that it is not external pressures such as unemployment that move workers into the informal economy but the possibility to "explore a new work identity." Furthermore, she finds that even of those who were moved by "reduced opportunities in the formal sector, most developed a commitment to the informal sector as a long-term career plan."

Conclusion

The urbanizing of more and more economic sectors is partly inevitable when territory and population themselves become urbanized. But there is one particular component of this larger urbanizing dynamic that is a specifically urban development. It originates in the fact that firms in all sectors—mining, transport, finance, or communications—need to buy legal, accounting, insurance, communications,

and other key services; and they need to buy more of each. Even very old economy sectors are feeding the growing demand for these intermediate services.

The growth of this intermediate economy across diverse urban areas amounts to a kind of structural convergence that gets filtered through the social order and built environments. The urbanizing of economic activity also brings with it sharper social and spatial inequalities. It accounts for key patterns evident in cities small and large, notably the growth of a new type of professional class of young urbanites and the associated high-income gentrification and growth of the cultural sector. This has contributed to a homogenization of the visual order in the state-of-the-art office, consumption, and residential districts of a growing number of cities, whether small or large, local or global. The rebuilding of central areas, whether downtown or in new edges, also explains why architecture, urban design, and urban planning have all become more important and visible in the past two decades. And it explains the growing competition for space in these cities and the emergence of a new type of politics, one centered on determining who has the rights to occupy parts of the city.

The homogenization of the visual order should not obscure the critical fact that the specialized differences among cities within national economies and globally assume renewed value in today's advanced economic sectors. Under these conditions, convergence and homogenization of the built environment becomes an envelope, a standard applied to potentially very different economic contents. We can think of this homogenized built environment as an infrastructure: it is necessary but indeterminate in that it can be used for different economic sectors. This shifts the emphasis to what inhabits that built environment. A key underlying economic dynamic I find in my research is that the global economy thrives on the specialized differences of countries, regions, and cities. But it does need homogenized standards (of production, of financial reporting, of accounting, etc.), and it also needs standardized built environments that function as infrastructures that can accommodate all those highly specialized economic differences. This, then, is also an explanation that can encompass diverse spatial forms, from the far-flung multipolarity of the Los Angeles region to the older central cities and metropolitan areas; and it can encompass the diverse contents of similar spatial forms, from Hollywood and Silicon Valley to the financial districts of New York and Chicago.

Whether all of this is good or bad for the larger social fabric of these cities is a complex matter and the subject of many debates. But the fact that both the most advanced economic sectors and the increasingly important cultural sector need cities should enable the political and civic leadership in cities to negotiate for more benefits for their cities, particularly for the disadvantaged sociospatial sectors. Cities benefit from prosperous middle classes: a far larger share of middle-class income is likely to recirculate in a city—whether spent or invested—than the share of the top 10 percent of the very rich. The sharp economic inequality that is the major trend today is not as beneficial to a city overall. European cities have done better than U.S. cities because of a stronger redistributive function through governments and civic institutions.

The issues examined in this article need to be confronted by policy makers and researchers. Urban manufacturing is a far more important sector to the advanced urban economy than is generally recognized, and the emerging informal creative economy that thrives in cities not only requires but also helps maintain deeply embedded, multiple, and often dense urban networks. Despite the importance of these economic activities, for a long time, most policy analysts and government economic development agencies did not recognize the existence of an urban manufacturing sector. Policy was oriented toward retaining the big, standardized manufacturers (they have more jobs), which were precisely the ones for whom it made no sense to stay in the city: they did not need the urban economy with its multiple supplier and contracting chains and diverse craft talent pools. Government policy makers could not see the small, networked urban manufacturing firms. In many smaller cities today, we have the talent pools that make possible the growth of such small firms, but we lack recognition and support from policy makers and even from analysts and researchers. We in the United States have had to struggle to get policy makers to recognize the presence of urban manufacturing in New York, Los Angeles, Boston, and Philadelphia—all cities with strong manufacturing histories that are today made invisible by the focus on the advanced services sector.

As we seek to encourage the urban manufacturing and informal creative economies that depend on some of the same agglomerative networks that we see in the expanded high-level service sector, we also need to mitigate the degree to which urban real estate is caught up in the increasing financialization of the economy. A central challenge is to ensure that mortgages for modest-income households are extricated from the financialization and to encourage more mortgage lending in urban areas.

These trends require that we innovate on the front of urban governance. The old bureaucratic ways will not do. This is a whole new urban era—with its share of positive potentials and its share of miseries. In cities, our governance challenges become concrete and urgent. National states can keep talking; urban leadership needs to act.

Notes

1. For a more detailed account of these three trends, see Sassen (2001, Preface to the 2nd ed., chaps. 2, 5, 6, and 7). For the most comprehensive examination of this intermediate service economy, see Bryson and Daniels (2007).

2. In my most pessimistic scenario, conflict is now wired into urban space itself, partly due to gentrification and displacement and the resulting politics of competition for space. In some cities, for instance, New York and Los Angeles, it takes the form of the rise of gangs to protect space. In other cities, the European ones but also the rising Shanghais, it takes the form of new racisms that can lead to physical violence. And in yet others, perhaps São Paulo or Rio de Janeiro, at its most extreme it takes the form of partial sporadic urban warfare, including warfare in the space of prisons. (See Sassen 2008a, "Cities and the New Wars" [on file with author]; "Cities and the New Wars: Mumbai and Beyond," www.OpenDemocracy.net [accessed November 28, 2008].)

3. See more data and full analysis at http://www.stateofworkingamerica.org/swa06-ch05-wealth.pdf.

4. Metropolitan labor markets will tend to reflect a variety of background factors beyond particular restructuring effects. The most important include their sheer size and density, the particular industrial and occupational mix of their employment base, the overall state of tightness or slack in labor demand, and, in the case of some cities, the weight and characteristics of immigrant groups. Two key characteristics of the labor markets in major cities, today as well as a century ago, are the fluidity and openness that influence the types of activity prospering there, as well as the labor market experiences of their residents.

5. These figures on white population growth come from Brookings Institution (2008).

6. The report contains a full list of estimated GMP losses for all 361 metropolitan areas (Appendix, Table A2, pages 8-16.). The report states that 128 metropolitan areas will see slow real GMP growth of less than 2 percent in 2008, and that growth will be cut by more than a third in 65 metropolitan areas and by more than a quarter in 143 metropolitan areas.

7. In addition to Gratz (2010), see the pioneering work on urban manufacturing developed by the Center for Labor and Community Research (CLCR) in Chicago, whose aim is "to strengthen communities by redefining, rediscovering, and re-building the manufacturing sector in the knowledge economy." Details of the diverse projects are on file with dswinney@clcr.org.

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