On city cooperation and city competition

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My starting point is that inter-city relations are more complex than is commonly assumed. This is reflected in my title: the key word is ‘and’, which is used rather than ‘versus’. In the more sophisticated studies of competitive cities, it is accepted that the competition exists alongside cooperative relations (e.g. Begg, 1999; Sassen, 1999) and in my own promotion of inter-city mutualities I accept that there are competitive processes present (Taylor, 2004). Given this position, the chapter deals with two related topics. First, there is the matter of careful definition to distinguish the essential differences between the two relations. I will use the excellent work of Powell (1990) and Thompson (2003) on competitive and cooperative processes to guide me. Secondly, there is the question of how the two processes relate to each other. To answer this I develop an argument about generic and contingent inter-city relations. I finish the chapter with case studies that demonstrate the processes in action.

DEFINITIONS

According to Powell (1990) and Thompson (2003) competition and cooperation are directly implicated in two contrasting relational configurations: hierarchies and networks respectively. Hierarchies are there to be climbed (competition); networks are there to be used (cooperation). Translating these ideas to inter-city relations means treating competitive city relations as deriving from hierarchical processes and cooperative city relations as deriving from network processes (Taylor, 2004).

Competition and Hierarchy

All hierarchies involve asymmetric power relations between members at different levels; those above impose their will on those below. This is a particular process and must be specified for identifying a hierarchy – Lukermann (1966) makes this precise point for settlement hierarchies. In other words, simply listing cities by rank order does not define a hierarchy (Taylor, 1997). For instance, in most lists of contemporary cities in globalization, London ranks higher than Paris, but this does not indicate a hierarchy à la Friedmann (1986) unless it is shown that London, in some sense, is imposing its will upon Paris. Without evidence of ‘London telling Paris what to do’ there is no hierarchy, just a ranked list of cities. There are such asymmetric relations between the two cities but they are rather more complex: for instance banks headquartered in London will be instructing their Paris branch on overall corporate strategy but at the very same time Paris headquartered banks will be similarly instructing their London branch. We can sum the number of such corporate asymmetries and show London has more corporate HQ functions than Paris (Taylor et al., 2002) but to reduce this to London hierarchically
above Paris is to simplify too far: there are multiple corporate hierarchies and power flows both ways.

There are simple processes of hierarchy between cities but these are limited to political roles of cities. There are circumstances where London as the UK’s capital city has power over Manchester and this may be used to define a national urban hierarchy. It is in this manner that hierarchies are implicated in competitive relations; for instance, Manchester competing with Birmingham for government largesse from London.

However, even political hierarchical processes are more complex than this. Cooley (2005), following Chandler (1969), has suggested a further refinement for understanding international relations. He suggests two organizational forms of hierarchy. Unitary hierarchy is where the lower layers are closely controlled from the centre. An alternative organization, multidivisional hierarchy, provides for more autonomy away from the centre. In his field these are state formation for unitary hierarchy and imperial organization for multidivisional hierarchy. In terms of inter-city relations this translates as national-scale hierarchies (as indicated in the UK cities example above) and world-scale dependency relations. The latter, famously described by Frank (1969) as metropole–satellite relations, is a relative autonomy within an extreme asymmetric relation (informal imperialism): power is held at the centre without the need for overt domination. This relation is consistent with Jacobs’ (1984) description of the power of cities over places far away that service its needs for food, raw materials, cheap industrial goods and labour.

The key point is that competition between cities can come in different forms but must always be based upon asymmetric power relations.

**Cooperation and Networks**

Networks can only operate on the basis of mutuality among nodes (Thompson, 2003). In city networks, cities need each other and all contribute to the wellbeing of the network (Taylor, 2004). Importantly, although she does not explicitly refer to city networks, this process is consistent with Jacobs’ (1969, 1984) theorization of cities as sites of economic expansion derived from inter-city relations.

One way of thinking about networks in relation to hierarchies is that the former focus upon ‘horizontal’ links across all cities whereas hierarchies are only about ‘vertical’ links between cities at different levels. In the latter case this has been formally derived as central place theory where urban places fit neatly into interlocking spatial hierarchies (Christaller, [1933] 1966; Taylor, 2009). More recently, city networks have been derived as ‘central flow theory’ (Taylor et al., 2010) based upon the interlocking network model (Taylor, 2001, 2004) whereby firms link cities together through their multi-location office networks.

The question of how these two theoretical approaches, encapsulating cooperation and competition, relate to each other is a matter of ontology. The most common position is a competitive presumption: imbued with central place thinking, how else would cities relate? But central place theory derives from ideas about towns servicing rural populations; its extension to cities comes with no definition of cities except as ‘large towns’ (i.e. with larger but still bordered hinterlands). Following Jacobs’ lead, world city network research refutes this argument using central flow theory. Jacobs (1969) argues that cities do not arrive singly, rather they come in ‘packs’, in other words as city networks. This
is fundamental because it relates to her definition of cities: a city is a process in which these horizontal inter-city relations are central. In other words, cities are generically networked; that is their nature. In this city theory, it follows that hierarchical relations are contingent.

CONTINGENCIES OF INTER-CITY RELATIONS

If city networks are generic and hierarchical processes are contingent, the question arises as to when does contingent pressure for hierarchy occur? In other words, under certain circumstances are there hierarchical tendencies that create competition between specific sets of cities? There are at least three situations where such competition between cities is created.

Process: Political over Economic

The interlocking network model underpinning central flow theory is an economic process but we live in a political economy world. This means that in certain circumstances political process can dominate the generic mutuality of cities to produce powerful hierarchical tendencies. The classic example is in the modern world where nation-states have territorialized social space resulting in strong national urban hierarchies that were prominent in the twentieth century. Because this is the period when most of the literature on inter-city relations was produced, we should recognize that this urban knowledge was created in quite unusual circumstances of politically fragmented space.

With contemporary globalization such territorial pressures towards multiple hierarchies are being lessened. This does not mean that the current world city network is devoid of hierarchical tendencies – firms headquartered in London and New York clearly dominate (Taylor, 2004) – but the evidence is that the network is becoming more horizontal over time (Derudder et al., 2010).

Place: Gateway Battles

There can certainly be competition between cities within a specific bordered area. There will be situations where there is only really economic capacity for one major city so that all local cities are in competition for this position. Such a situation is often referred to as a gateway city, the one place that links a region to the rest of the world (Andersson and Andersson, 2000). Such city/regional relations are traditionally related to transport hubs (Pain, 2008). In contemporary globalization Friedmann’s (1986) work treats cities below the top level of his hierarchy in this sort of way: key world cities ‘articulate’ their national or regional economies into the world economy.

These contingent pressures can be seen in some interesting competitive resolutions: Sydney replacing Melbourne, São Paulo replacing Rio de Janeiro and Toronto replacing Montreal as leading cities in their respective national economies. However, in Castells’ (1996) network society gateways are not what they used to be. In the informational age, using electronic communications makes it possible to by-pass so-called ‘gateway cities’. In one study this was shown to be happening in Brazil with São Paulo sometimes being
by-passed by foreign firms linking back to their own country, organizing insurance through Amsterdam, say, rather than using São Paulo for the service (Rossi and Taylor, 2006).

Time: Cyclical Effects

Historically it has been found that economies appear to be cyclical in nature: there are periods of growth that result in over-production, followed by periods of contraction/stagnation with under-production. These occur at different time spans and the longer spans will most definitely impinge on inter-city relations. Put simply, in the good times cooperation will be seen as beneficial as the economy produces multiple win–win scenarios but with the downturn prospects of losing will generate a more competitive relation between cities, perhaps even zero-sum games.

Arrighi (1994) has described just such a situation in late medieval northern Italy wherein economic mutuality between cities gave way to political competition so that by the Treaty of Lodz in 1454 only four main cities survived as independent entities: Florence, Genoa, Milan and Venice. A similar process can be found in the rise of contemporary globalization. In the economic downturn of the 1970s and 1980s cities fared badly – they were universally seen as sources of problems in a competitive downward spiral – but their fortunes turned around with later globalization so that by the 1990s they were perceived as economic solutions, with their mutual interests finally modelled as a world city network only in the 2000s (Taylor, 2001).

These three circumstances induce a competitive process that creates strong hierarchical tendencies within city networks. But these are not ‘inevitable tendencies’; both generic and contingent processes are reliant on agency: it is the activities of agents that produce networks and hierarchical tendencies.

THE QUESTION OF AGENCY

In something as complex as cities there are innumerable agencies that contribute to making inter-city relations. Here I focus upon the two main agencies that are directly involved in network formation: one political, the other economic.

Government Agency – Mayors, Urban Policymakers and City Planners

From at least the early twentieth century, city governments have formed policy links with each other and these have sometimes evolved into formally organized city networks (e.g. Eurocities). But such city government initiatives are not the reason why cities in networks are considered to be generic. Although these inter-connected local governments can claim to represent their respective cities, such networks are pragmatic and essentially ‘simple’. By this I mean that they are the result of a single decision (to join a network) that can be easily rescinded with a change of mayor or party administration. This is not to say that such networks are trivial; they are especially important in diffusing ‘best practice’ ideas resulting in inter-city flows of policy information. But this is not what cities as generically networked are all about.
However, city governments do have a longer-term relevance for city network formation: maintaining the basic infrastructural space of flows that enables the inter-city connections to prosper. By definition, all successful cities grow to eventually outstrip their existing infrastructure resulting in a threat to their future. To right the situation typically requires large capital projects and these are carried out or underwritten by public authorities. The sort of work I am thinking of here varies over time: enlarging harbours, building new airports, dredging rivers, building canals, building railways, attracting airlines, ensuring smart electronic connections. All such infrastructure, at the least, requires a public subsidy to make the huge new investment viable. But this provides only the bottom layer in Castells’ (1996) spaces of flows; such developments are necessary but not sufficient for successful city network formation. Therefore it is not the public supplier but the private agents who create the demand for the infrastructure, and who will be the prime users of new infrastructure, who are the important agents.

**Commercial Agency – Trading Houses, International Banking and Business Service Firms**

In the interlocking network model it is private agencies that are the key ‘interlockers’ of cities. They do this through carrying out their everyday commercial business. Where this business covers large geographical distances there has always been a twin problem of trust and information: to carry out distant business you need a presence in a faraway city that you can trust, and who can also be relied on to take advantage of particular local commercial opportunities as they arise in that city. Traditionally this has been accomplished through using extended family links across cities, leading to both large-scale trading houses and international banking. In contemporary globalization the key interlockers are business service firms (financial, professional and creative) that provide advanced transnational knowledge products that enable global capitalism to operate. Typical examples would be a London law firm that sells its inter-jurisdictional legal knowledge and a New York advertising agency that oversees ‘global’ advertising campaigns.

In order to service their clients in this way such ‘advanced producer service’ firms have opened offices in numerous cities across the world. It is the business they carry out through their office networks that links the cities together in a world city network (Taylor, 2001, 2004; Taylor et al., 2011). The inter-city relations are constituted by the information, instruction, specialized knowledge, design, planning, strategy, ideas, teleconferencing and face-to-face meetings that flow between city offices when implementing servicing projects for clients. This intra-firm work process is the mutuality that binds the network together. The amalgamation of everyday work carried out by large numbers of business service firms through the myriad flows above generates a world city network that is immensely complex. This is the contemporary representation of generic city networks that I will call primary inter-city relations.

**PRIMARY INTER-CITY RELATIONS**

Although not usually recognized as such, this contemporary world city network formation equates to Jacobs’ (1969, 1984) classic modelling of the economic expansion of cities.
The World City Network and Jacobs’ Process of Economic Expansion

In Jacobs’ (1969, 1984) argument for ‘explosive economic growth’, a city replaces imports it had previously relied upon, thereby freeing up resources to obtain new and different imports. Such import shifting has been occurring in contemporary globalization through the making of worldwide office networks by advanced producer service firms. Every time an advanced service firm opens an office in a new city it replaces services that previously had to be imported to that city. For instance, if a major law firm opens a new office in Vancouver, then previous legal services obtained from the firm’s existing Toronto office can now be produced locally. This is an example of new work for Vancouver based upon import replacement, which is, for Jacobs (1969, 1984), how cities grow. Thus the world city network can be interpreted as a meta-process of multiple import replacements across the world. Because, for Jacobs (1969), import replacement is an immense economic force that generates the dynamic cities that expand economic life, it follows that the world city network has been an immense power in the massive economic growth in the world economy, the economic globalization covering the last quarter century.

Jacobs (1969) says relatively little about city networks beyond her premise, inherent in the import replacement process, that cities need each other. Her main focus was what went on within city economies and she is generally appreciated in economics as a pioneer of cluster theory (Glaeser et al., 1992; Krugman, 1995). But there is really one mega-process of city-ness: without city clusters there would be no city networks, without city networks there would be no city clusters. This needs exploring further since the literatures on clusters and networks have developed largely independently of each other, post-Jacobs.

Clusters/agglomeration and Networks/connectivity

Cities provide knowledge-rich contexts in which different sectors often cluster together and which overall provide agglomerations of work. All major cities have their financial centres plus, typically, a close grouping of law practices, creative zones in which advertising agencies will be found, and many more local clusters. But even more important is the general agglomeration effect of large size (Glaeser et al., 1992). This makes cities very special places of enhanced communication for development and transfer of ideas within and across clusters. In addition, the agglomeration constitutes a complex division of labour in which new work continually adds to the variety. This provides firms with access to a wide range of employment skills that is necessary when developing new work.

Clusters/agglomeration processes link with networks/connectivity processes because it is the leading firms in the former whose everyday work creates the latter. But this is not a one-way effect; through their work in the net, firms bring new ideas and knowledge into the city, thus enhancing the knowledge-rich environment. Further, the knowledge they bring from the cities of their other offices is non-local, cosmopolitan knowledge. In other words business in the network brings knowledge that makes the clusters and agglomeration all the richer in ideas. In fact most new work derives not from innovation but rather imitation of other cities’ innovations. This diffusion process was as true a hundred years
ago when all cities electrified their economies (a New York/Newcastle innovation of the late nineteenth century) as today when all cities have their advertising agencies (an early twentieth century innovation emanating from New York).

CASE STUDIES

The argument so far has been quite abstract and I want to take the discussion further by providing two case studies to exemplify the theory. The first illustrates how mutuality is sometimes overlooked until actual processes are researched; and the second reminds us that globalization is an on-going process in which hierarchies are being eroded as the world city network evolves its mutualities.

From Competitive Presumption to Mutuality: London, Frankfurt and the Euro

When the European Union was planning its new currency in the late 1990s, it decided to locate the new European Central Bank in Germany’s main financial centre, Frankfurt, rather than London. The problem for London was that although it was by far Europe’s chief financial centre, the UK had decided not to join the euro at its launch. With London outside the euro-zone, Frankfurt was the sensible choice. The decision, however, was seen as a political victory for Germany over the UK with the likely outcome being Frankfurt overtaking London to become the new European centre of finance. This sentiment was rife among political and financial commentators. But they collectively misunderstood the relations between London and Frankfurt. In fact this was a classic case of translating inter-city relations as international relations and getting a completely wrong answer; city mutualities were completely overlooked.

Through interviewing practitioners in financial and other services in both cities we were able to show that there was a consensus among practitioners: the embedded financial context of London – its internal and network assets – meant that this city would remain Europe’s leading financial centre for the foreseeable future irrespective of the UK being or not being in the euro-zone (Beaverstock et al., 2001). And we found no evidence for inter-city competition; rather London and Frankfurt complemented each other as places in which to do financial work. All firms in our sample had offices in both cities and therefore had a vested interest in both cities being successful. They were located in both cities because they used each city in a different way: the London office was the global platform for each firm; the Frankfurt office covered European business. In other words they were complementary: success in one office was expected to feed into activities in the other office. Put simply, our respondents thought that what was good for London was good for Frankfurt, and vice versa. Locating the European Central Bank was quite trivial compared to this powerful network process.

From Hierarchy to Network: New York Advertisers and New Centres of Creativity

Advertising is the archetypal American service industry and New York, with its famous Madison Avenue cluster, was the main hub throughout the twentieth century. As advertising diffused to other parts of the world, New York became a ‘world hub’, leading
to global campaigns designed and executed in this one city for the rest of the world to consume.

We interviewed advertising practitioners to examine this service industry’s changes in use of cities in the twenty-first century (Faulconbridge et al., 2011). The initial ‘internationalization’ of advertising, as described above, has been termed the imperial model. The firms carrying out worldwide advertising for clients would focus all advanced work from planning through creative design to financial organization on their New York headquarters. Other offices across the world, sometimes derogatorily termed ‘post-box’ offices, simply took the New York product, made language and minor cultural adjustments, and sold it on to local TV stations. This highly hierarchical framework has not survived; it appears as a temporary evolutionary phase to a network process. With recognition of the need for more nuanced messages reflecting changes in audiences, there has been a transformation to a more cooperative arrangement between offices across cities. Different offices are understood to be composed of different varieties of skills and these have to be brought together for the client. New creative ideas are accepted and expected from offices in certain non-US cities such as Bangkok and São Paulo deriving from their very different cultural contexts. And New York is no longer the automatic lead office; it might be part of a project team led, say, from Los Angeles. The end result is a multi-nodal network approach that harnesses internal and network assets from around the world. Why else, we might ask, would agencies invest in setting up multiple offices in a global network of cities?

CONCLUSION: THE HONG KONG ‘SURPRISE’

I will conclude briefly with the best example of a city illustrating the generic nature of the contemporary world city network. When Hong Kong reverted to Chinese sovereignty in 1997, there was a widespread expectation that the city would decline: in Pacific Asia generally Singapore was identified as the main beneficiary, and within China it was assumed that Shanghai would take over Hong Kong’s role of linking the country to the rest of the world city network. Here was another supposition of simple competition, a zero-sum game: Hong Kong loses; other cities gain. But surprise, surprise, Hong Kong has gone from strength to strength since 1997, and so too have Singapore and Shanghai. But it is only a surprise for those with simplistic ideas on cities. As noted above, Jacobs’ (1969) import replacement process generates win–win scenarios and this is what has been happening in Pacific Asia.

REFERENCES


