

## GLOBAL CITY-REGIONS AND THE NEW WORLD SYSTEM

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### Abstract

As we approach the twenty-first century, a world-wide mosaic of large city-regions seems to be overriding (though is not effacing entirely) an earlier core-periphery system of spatial organization. The economic dynamics of these city-regions are analyzed with particular emphasis on the ways in which they tend to generate increasing returns effects and competitive advantages for local producers. The managerial tasks that these city-regions face raise many new issues about local economic development policy and institution building in the interests of social order. These issues lead on to further questions about democracy and citizenship in the new global mosaic of city-regions as well as in the new world system as a whole.

## Preamble

My goal in this paper is to outline some of the main features of the new world system that has evidently been taking shape since the end of the 1970s, and, more ambitiously, to propose a number of key concepts about the large global city-regions that increasingly function as the basic geographic pillars of this system. The complex internal and external relations of these city-regions and their consequent growth dynamics present a number of extraordinarily perplexing challenges to researchers and policy makers alike as we enter the 21st century.

I propose to use the term global city-regions to designate phenomena that bear some resemblance to the “world cities” first identified by Hall (1966) and Friedmann and Wolff (1982), and to the “global cities” of Sassen-Koob (1984) but whose essential social logic and contextual characteristics have evolved considerably since these pioneering studies were published. In simple geographic terms, a global city-region can be said to comprise any major metropolitan area or any contiguous set of metropolitan areas together with a surrounding hinterland of variable extent — itself a locus of scattered urban settlements — whose internal economic and political affairs are bound up in intricate ways in intensifying and far-flung extra-national relationships. I shall refer to these extra-national relationships as a symptom of “globalization” while acknowledging that my rather casual use of this term does injustice to the many conceptual niceties and debates with which it is currently associated. So far from being dissolved away as definite geographic entities by processes of globalization, city-regions by and large are actually thriving at the present time, and they are, if anything, becoming increasingly central to the conduct and coordination of modern life. In parallel with these developments, embryonic consolidation of global city-regions as extended territorial entities is also occurring, as contiguous local political units (counties, metropolitan areas, municipalities, etc.) club together into spatially-polarized coalitions in search of effective bases from which to deal with both the threats and the opportunities of globalization.

Any really thorough analysis of these issues should be able to point unambiguously to the reflexive interactions between relevant global and the local outcomes. In its most accomplished form, this would entail a clear demonstration that globalization has definite and transformative impacts on regional development and urbanization, and that these latter phenomena in turn exert decisive influences on the trajectory of globalization. To be sure, the precise ways in which patterns of regional development and urbanization are actually worked out on the ground in relation to globalization vary enormously across geographic space, depending on local economic conditions and political traditions. That said, we are dealing here with a set of historic and geographic processes that have only recently become evident on the world stage, so that even in their most currently advanced forms they tend to be somewhat blurred in empirical outline.

## Globalization and the New Regionalism

In the immediate post-War decades almost all of the major capitalist countries were marked by strong central governments and relatively tightly bordered national economies. These countries constituted a political bloc within the framework of a Pax Americana, itself supported by a rudimentary network of international arrangements (the Bretton Woods system, the World Bank, the IMF, GATT, and so on) through which they sought to regulate their relatively limited — but rapidly expanding — economic interrelations. Over much of the post-War period, the most prosperous of these countries could be said to constitute a core zone of the world economy, surrounded in its turn by a peripheral zone of Third World nations, with a complex set of interdependencies running between the two, as described by world system theorists like Wallerstein (1979).

Today, after much economic restructuring and technological change, significant transformations of this older order of things have occurred virtually across the world, bringing in their train the outlines of what we might refer to as a new social grammar of space, or a new world system (Badie, 1995). One of the outstanding features of this emerging condition is the apparent though still quite inchoate formation of a multilevel hierarchy of economic and political institutions ranging from the global to the local. Four main aspects of this state of affairs call for immediate attention.

1. Huge and ever-increasing amounts of economic activity (input-output chains, migration streams, foreign direct investment by multinational corporations, monetary flows, and so on) now occur in and through the spaces that lie between sovereign states. Such activity is in important ways what I mean by globalization as such, even though it is far indeed from any ultimate point of fulfillment. Further, as globalization in this sense moves forward, it creates numerous conflicts and predicaments that in turn activate a variety of political responses and institution-building efforts. Practical expressions of such efforts include a complete reorganization of international financial arrangements as compared with the post-War Bretton Woods system, together with the restructuring and reinforcement of international forums of collective decision-making and action such as the G7/G8 group, the OECD, the World Bank, the IMF, and a newly streamlined GATT, now known as the World Trade Organization. While these political responses to the pressures of globalization remain limited in scope and severely lacking in real authority, they are liable to expansion and consolidation as world capitalism continues its predictable ascent.

2. In part as a corollary of these same pressures, there has been a proliferation over the last few decades of multi-nation blocs such as the EU, NAFTA, MERCOSUR, ASEAN, APEC, CARICOM, and many others. These

blocs, too, can be seen as institutional efforts to capture the benefits and control the negative externalities created by the steady spilling over of national capitalisms beyond their traditional political boundaries. They remain in various stages of formation at the present time, with the EU being obviously in the vanguard. Because they involve only small numbers of participants, they are clearly more manageable as political units (i.e., transactions-costs problems are relatively restrained) in comparison with actual or putative global organizations.

3. Sovereign states and national economies remain prominent, indeed dominant elements of the contemporary global landscape, though they are clearly undergoing many sea-changes. On the one hand, individual states no longer enjoy quite the same degree of sovereign political autonomy that they once possessed, and under conditions of intensifying globalization they find themselves less and less able or willing to safeguard all the regional and sectional interests within their jurisdictions. On the other hand, national economies have been subject to massive debordering over the last few decades so that it is increasingly difficult, if not impossible, to say precisely where, say, the American economy ends and the German or Japanese economies begin. As a result, and as noted in points 1 and 2 above, some of the regulatory functions that were formerly carried out under the aegis of the central state have been drifting to higher levels of spatial resolution; at the same time, other functions have been drifting downward.

4. Accordingly, and most importantly for the purposes of the present paper, there has of late been a resurgence of region-based forms of economic and political organization, with the most overt expression of this tendency being manifest in the formation of large global city-regions.

Point 4 calls for some amplification. The propensity of many types of economic activity – manufacturing and service sectors alike – to gather together in dense locational clusters appears to have been intensifying in recent decades. This re-intensified quest for collective propinquity on the part of all manner of economic agents can in part be interpreted as a strategic response to intensified economic competition, especially as greatly heightened competitive advantages can be obtained by locational agglomeration. Globalization has accentuated the entire process, and with the continued extension of markets to wider international spheres, the economies of global city-regions have grown accordingly. Large city-regions are coming increasingly to function as territorial platforms for contesting global markets. At the same time, the diminishing capacity of central governments to deal with all the nuanced policy needs of each of the individual regions contained within their borders means that many regions are now faced with the choice of either passive subjection to external cross-border pressures, or active institution-building, policy-making, and outreach in an effort to turn globalization as far as possible to their advantage. Regions that take the latter course are likely to find themselves also faced

with many new tasks of political coordination and representation. These tasks are of special urgency at a time when large city-regions function more and more as poles of attraction for low-wage migrants from all over the world, so that their populations are almost everywhere heavily interspersed with polyglot and often disinherited social groups. As a consequence of this, many city-regions today are being confronted with pressing issues related to political participation and the reconstruction of local political identity and citizenship.

The new map of the world that is coming into being as these trends take their course can be represented as a quadripartite hierarchy of interacting economic and political spaces, with, it must be added, many additional relational forms cutting in all directions through this basic pattern. The whole edifice reposes upon a geographic foundation that can perhaps best be described as a mosaic of city-regions constituting the economic motors of the global economy, and apparently overriding bit by bit the pre-existing core-periphery system that has so often in the past been taken to be a dominant and persistent feature of the geography of world capitalism. If huge divisions of income remain deeply inscribed on the world's economic landscape, large-scale urbanization, whatever its social costs here and now seems to be one of the critical mechanisms of aggregate development and wealth creation, and an essential adjunct of capitalist expansion. In light of this comment, it is no surprise to find that the world's largest cities are everywhere growing larger and that the proportion of the world's population residing in urban centers also continues to move steadily upward. There are now some 300 city-regions scattered across the world with populations in excess of one million, and no fewer than twenty with populations greater than ten million. By the year 2025, the number of city-regions in these size-categories world-wide will in all likelihood have doubled.

### The Economic Order of Global City-Regions

One of the seeming paradoxes of the field of investigation at hand is that whereas dramatic improvements in technologies of transportation and communication over the last few decades are helping to annihilate the barriers of space by bringing all parts of the world into ever closer contact with one another, dense urban agglomerations continue to increase in size and importance everywhere. These apparently incompatible trends, however, turn out on further scrutiny to be two faces of an entirely consistent set of interdependencies whose geographic logic can in significant ways be understood in terms of the network structures (and their associated transactional interdependencies) that constitute the basic frameworks of organized economic and social life. More accurately, this logic reposes on an intrinsic duality of any economic or social network, namely, (a) its status as an entity marked by a definite spatial structure, signifying specifically that any bilateral or multilateral

transaction is of necessity associated with locationally-dependent impedances or costs, and (b) its status as a social organization marked by forms of bonding and interaction that often have strongly synergistic effects (Scott, 1998).

The latter remarks lead at once to a number of useful insights about the dynamics of geographic systems. These insights are more systematically explored in the Appendix, but let us consider at the outset, for exemplary purposes, two schematic situations. Thus, in an economy marked by uniformly high spatial transactions costs and simple organizational bonds where all exchanges are purely linear and lacking in synergy (i.e., where increasing returns effects are absent), we would expect to observe rather limited forms of urban and regional development. The kinds of transport-cost minimizing outcomes described by classical Weberian or Lösschian location theory would be the relevant illustrative case here. In another and purely fictional sort of world where the time and money costs of spatial transacting are zero, we would expect to observe a state of geographic entropy or randomness no matter how simple or complex organizational bonds may be. In contrast to these two notional cases, the world that we actually inhabit is one in which the spatial costs of transacting are sometimes extremely high (e.g., many kinds of face-to-face exchanges of information) and sometimes extremely low (e.g., international monetary flows), and in which organizational bonds range over the gamut from the very simple and linear to the highly synergistic. Moreover, as flexible forms of productive organization take deeper and deeper hold in modern economic and social affairs, new synergistic relations of all kinds seem to be multiplying on all sides. In the context of a world economy in which huge stocks of capital and labor are deployed, these conditions combine in such a way as to bring about the steady reconfiguration of national urban systems into an integrated world-wide mosaic of urban superclusters, i.e., global city-regions.

To be more concrete, we need to interpret these remarks in relation to the fact that the leading-edges of contemporary economic growth are represented by activities like high-technology industry, neo-artisanal manufacturing, cultural-products sectors, the media, business and financial services, and so on, i.e., by activities that persistently assume a markedly socialized or quasi-socialized character by reason of their status as intricate networks or complexes of specialized but complementary producers with strong inter-producer synergies. For the moment, I refrain from assigning any geographic descriptors (e.g., clustered or dispersed) to these networks. Even so, and in general functional terms, we may say that they tend to be important sources of increasing returns effects and hence of competitive advantage, if only in the minimal senses that (a) they almost always exhibit high levels of firm specialization and complementarity, and (b) by the same token, provide for mutual insurance against critical supply failures and sudden or unpredictable input needs (an especially important

feature in flexible economies where long-run planning of production schedules is extremely difficult). Equally, the many traded and untraded interdependencies that typically run through these networks between individual producers constitute sites where new information and practical know-how are continually being generated, leading in turn to learning effects that often become manifest in high levels of innovation. These effects are complemented by the network-specific skills and forms of habituation that workers in the local area acquire, and that become part of a common pool of human resources that employers can draw upon. Relationships like these are the lifeblood of dynamic economic and social systems, enabling them to achieve functional capacities as a whole that are always very much greater than the sum of the individual capacities of their component elements.

Now, all economic and social relationships incur spatial transactions costs (since such relationships are themselves always spatially extensive), and in the contemporary world, as noted, these tend to be enormously variable, depending on what exactly is being transacted in any given instance. Many important segments of the economy are dependent on mutual proximity of all parties if transactions are to be successfully carried out, especially where these involve frequent, unpredictable, and constantly shifting face-to-face encounters. In contrast, some kinds of exchanges are associated with such low unit costs that even wide spatial separation of the participants does not interfere with transactional efficiency. The net consequence in the context of the current economic climate is the formation of a set of conditions encouraging the emergence of a broad mosaic of hyper-developed urban centers. Thus, and in the first place, wherever we come across extensive networks of transactional relations which are at one and the same time marked by high spatial costs and by rich complements of increasing returns effects (as in many segments of modern flexible capitalism) we will also be apt to find a special proclivity on the part of those caught up within these networks to locate in close proximity to one another. In the second place, the resulting agglomerations will not only be the scenes of abundant internal exchanges, but will also tend to trade with external partners (above all with each other) on the basis of goods and services whose associated spatial transactions costs are relatively insensitive to the effects of wide spatial separation between origins and destinations. As a result, and given that external markets for the products of any agglomeration are increasingly global in reach, yet further growth of the urban production system will be apt to ensue. This in turn will foster deeper and wider intra-urban social divisions of labor, thus provoking an enlarged sphere of increasing returns effects and heightening local competitive advantage. To be sure, urban growth also brings in its train a variety of negative externalities that in the absence of remedial action would usually set in motion any number of locationally centrifugal tendencies. What we usually observe in response to this situation,

however, is regulatory action on the part of local authorities in order to bring such externalities under at least approximate control.

As large-scale agglomeration occurs at any place, diverse other (contingent and emergent) organizational outcomes enter into play and serve to underpin the dynamics of spatial convergence. Among the more important of these we may count (a) access to the rich physical infrastructures typically supplied out of public funds as cities grow, (b) the great improvement in information flows through local labor markets that is assured by the gathering together in one place of many firms and workers, and (c) the gradual consolidation of conventions and cultures that enhance the capacities of all individuals to perform effectively in the local economic environment. Above all, agglomeration has many positive effects on the ability of cities to function as centers of learning, creativity, and innovation, for precisely because cities are constituted as dense transactions-intensive foci of many interdependent activities, they are also places in which new social encounters and experiences endlessly occur, and in which enormous quantities of information are daily created and circulated. These processes unfold informally in many small, unrecorded events and encounters, but in cumulative terms they function as important foundations of localized innovative energy and successful entrepreneurial effort. They are all the more pervasive in large cities because of the countless combinatorial variations in the kinds of inter-personal encounters that can occur, and out of which there sometimes flow completely unexpected and unpredictable forms of creative action. Large cities, as a result, are invariably important centers of resourcefulness and invention in all sectors of production, (especially perhaps in the neo-artisanal, fashion, and cultural-products industries that are typically — and to an ever greater extent — found within them in significant concentrations).

Large cities, then, have today become a more insistent element of the geographic landscape than at any previous moment in history. Over the last few decades, and throughout the world, numerous suitably positioned urban centers have been transformed into super-clusters whose growth is the outcome of a conjuncture where many of the leading sectors of capitalism are organized as intensely localized clusters of producers with an increasingly global market reach.

### The Political Order of Global City-Regions

The world system is thus currently in a state of rapid economic flux, leading in turn to many significant adjustments in patterns of political geography. On the one side, the profound changes that have been occurring on the economic front are increasingly giving rise to diverse responses and experiments in regulatory coordination at different geographic levels from the global to the local. On the other side, the new regulatory institutions

that are now beginning to assume clearer outline on the world map, simultaneously help to intensify the channeling of economic development into spatial structures that run parallel to the quadripartite political hierarchy described earlier in this paper. While the political shifts going on at each level in this hierarchy pose many perplexing problems, the level that is represented by the new global mosaic of city-regions is certainly one of the least well understood. Moreover, precisely because the individual regional units at this level constitute the basic motors of a rapidly globalizing production system, much is at stake as they steadily sharpen their political identities and institutional foundations.

At the outset, we may well ask how these regions are to be defined as territorial-cum-political units with greater or lesser powers of coordinated action. In many instances, of course, the administrative boundaries of given city-regions will be prone to follow some pre-existing geography of local government, but precisely how far out into their individual hinterlands are their political mandates likely in the end to range? This question is in fact moot at least until we have examined in more detail just what the real political functions of these regions are likely to be, though we can — drawing on a traditional Marxian approach to the definition of social class — provide some methodological guidelines about how it might actually be resolved in any particular case. These guidelines may be summarized in terms of the twin notions of objective conditions and political practices. The first refers to the necessary foundation of any given city-region in a large, dense, polarized (or multipolarized) agglomeration of capital and labor integrated into the world system. The second refers to the active formation of territorial coalitions — whether imposed from above or coming forth from below — in which different geographic entities (say, local government units) throw in their lot together in the quest for a heightened regional capacity to deal with the administrative and policy problems brought to the fore by the changing world system. In this sense, the final geographic shape of any given global city-region must remain largely indeterminate in a priori terms. That said, we can already perhaps see some of the outlines of things to come in the new regional government systems that have been put into place in a number of different European countries over the last couple of decades, and in the maneuvering (some of which may bear fruit, some of which will certainly lead nowhere) that is currently gathering steam around prospective municipal alliances such as San Diego-Tijuana, Cascadia, the Trans-Manche region, Padania, Singapore-Johore-Batam, or Hong Kong-Shenzen.

To an important extent, many of the political changes going on in the world's large city-regions today represent a search for structures of governance capable of securing and enhancing their competitive advantages in a rapidly globalizing economic order. Agglomerated production systems, as we have seen, are the arenas of

both actual and potential region-wide synergies, but these will always exist in some sub-optimal configuration so long as market logic alone prevails in the economic sphere. These synergies have enormous relevance to the destinies of all the firms and workers in the immediate locality, and by the same token, they assume dramatic importance in a world where the continued spatial extension of markets brings each city-region into a position of vastly expanded economic opportunities, but also of greatly heightened economic threats from outside. The economies of large city-regions are thus intrinsically overlain by a field of collective order defined by these synergies, and this constitutes a crucial (though in practice often neglected) domain of social management. No matter what specific institutional form(s) such management may assume (e.g., agencies of local government, private-public partnerships, civil associations, and so on), it derives its force and legitimacy from the positive role that coordinating agencies can play in regional economic systems by promoting and shaping critical increasing returns effects that would otherwise fail to materialize or that would be susceptible to severe misallocation. A complete analysis of the complex tasks that agencies like these are being and will undoubtedly be increasingly called upon to deal with goes well beyond the bounds of the present paper, but something of their character can be suggested by reference to such conceivable strategic options as the fostering of agglomeration-specific technological research, the provision of high risk capital to small start-up firms, the protection of certain kinds of infant industry, investments in upgrading workers' competencies, the cultivation of collaborative inter-firm relations, the promotion of distant markets for local products, and so on. There is also, of necessity, a continued urgent need for more traditional types of place-bound collective action and planning to ensure that negative externalities due to extended urbanization do not cut too deeply into local economic performance.

The latent prospect of a mosaic of global city-regions, each of them characterized by an activist collectivity resolutely seeking to reinforce local competitive advantages, however, raises a further series of questions and problems. At the very least, rising levels of concerted regional activism can be expected to lead to specific kinds of destabilization and politicization of inter-regional relations, both within and across national boundaries. One way in which such predicaments already manifest themselves is in the formation of regional alliances (such as the Four Motors of Europe Program, or the recent linking of the London and Frankfurt stock exchanges), leading to complaints about unfair competition on the part of those excluded. Another resides in the currently prevalent attempts by the representatives of some regions to lure selected assets of other regions into their own geographic orbit, often at heavy social cost. Another can be deciphered in the development races that occur from time to time when different regions push to secure a decisive lead as the dominant locational focus of some infant industry. Still another is clearly evident in the expanding opportunities for multinational corpora-

tions to play one region off against another in competitive bidding wars for new capital investments. In view of the likelihood that stresses and strains of these types will be magnified as the new regionalism takes deeper hold, a need for action at the national, plurinational, and even eventually the global levels of political coordination is foreseeable in order to establish a framework of ground rules for the conduct of inter-regional relations (including aid to failing regions) and to provide appropriate forums for inter-regional problem-solving. The European Committee of the Regions, established under the terms of the Maastricht Treaty, may conceivably represent an early even if still quite fragile expression of this dawning imperative in the trans-national sphere.

As the complex trends and tendencies alluded to in these pages come more resolutely to the surface, a further question naturally arises as to what macro-political or ideological formations will be liable to assert a role in defining the calibrating frameworks for the institution-building and policy-making projects that can now be ever more strongly envisioned at various spatial levels. Giddens (1998) has forcefully argued that two main contending sets of political principles appear now to be moving toward a war of position with one another in relation to recent events on the world stage, at least in the more economically advanced parts of the globe. One of these is a currently dominant neoliberal view — a view that prescribes minimum government interference in and maximum market organization of economic activity (and that is sometimes but erroneously taken to be a virtually inescapable counterpart of globalization). In view of what I have written above about the urge to collective action in global capitalism and its various appendages, neoliberalism, certainly in the version that crudely advocates laissez-faire as a universal panacea, strikes me as offering a seriously deficient political vision. The other is a renascent social democracy, which, especially in Western Europe, has enjoyed notable electoral success of late. On the economic front, social democracy is prepared to acknowledge and to work with the efficiency-seeking properties of markets where these are consistent with standards of social fairness and long-term economic well-being, but to intervene selectively where they are not. As such, a social democratic politics would seem to be well armed to face up to the tasks of building the political infrastructures and enabling conditions (at every geographic level) that are each day becoming more critical to high levels of economic performance as the new world system comes increasingly into focus. At the city-region level, in particular, and to repeat, these tasks can be centrally identified with the compelling social need to promote those local levels of efficiency, productivity and competitiveness that markets alone can never fully secure.

But there is a further argument in favor of a social democratic approach to the governance of global city-regions, one that is associated with, yet that also goes beyond, the need for remedial collective action in local economic affairs. Quite simply put, and especially in contexts where social management of the local economy is

in some sense under way, the representativeness and human impacts of such action is always at issue. In brief, the question of local democratic practice and how to establish effective forums of popular participation is inescapably joined to the more technocratic issues raised by the challenges of economic governance in global city-regions. This question takes on special urgency in view of the role of large global city-regions as magnets for low-wage migrants — many of them undocumented — from all over the world, so that in many cases significant segments of their populations are made up of marginalized and politically dispossessed individuals. Moreover, and above and beyond any considerations of equity, enlargement of the sphere of democratic practice in any social community is an important practical means of registering and dealing with social tensions; and this remark in turn is based on the observation that the mobilization of voice in such communities is typically the first step in the constructive treatment of their internal dysfunctions. Large city-regions, with their rising levels of social distress as a result of globalization are confronted with a series of particularly urgent political challenges in this regard, not only because their internal conviviality is in jeopardy, but also because any failure to act is likely, too, to undermine the effectiveness of more purely economic strategies.

It follows from all of this that some reconsideration of the everyday notion of citizenship is itself long overdue. An alternative definition of citizenship, one that is more fully in harmony with the emerging new world system, would presumably assign basic political entitlements and obligations to individuals not so much as a birthright, but as some function of their lived involvements and practical allegiances. In fact, traditional conceptions of the citizen and citizenship are vigorously in question at every geographic level of the world system — for we are all of us rapidly coming to be, at one and the same time, participants in local, national, plurinational, and global communities — but nowhere perhaps as immediately or urgently as in the large global city-regions of the new world system. Even though only a few tentative and pioneering instances of pertinent reforms in such regions are as yet in evidence (the case of Amsterdam being perhaps the most advanced), many different experiments in local political enfranchisement will no doubt be initiated in the near future as city-regions start to deal seriously with the new economic and political realities that they face. In a world where mobility seems to be continually increasing, it may not be entirely beyond the bounds of the conceivable that individuals will one day freely acquire title of citizenship in large city-regions many times over in conjunction with their movements from place to place over the course of their lifetimes.

### Coda

Globalization has potentially both a dark, regressive side and a more hopeful, progressive side. If the

analysis presented here turns out to be in principle broadly correct, then those views that have been expressed of late in some quarters on the Left to the effect that any deepening trend to globalization must constitute a retrograde step for the masses of humanity can be taken as a salutary warning about a possible future world, but by no means as a representation of all possible future worlds. Insistent globalization under the aegis of a triumphant neoliberalism would no doubt constitute something close to a worst-case scenario, leading to greatly increased social inequalities and tensions within city-regions and exacerbating the discrepancies in growth rates and developmental potentials between them. Alternative and realistic possibilities can be plausibly advanced, however, and I have tried to sketch out some of these in the preceding pages. Globalization, indeed, is the potential bearer of many significant social benefits. At this stage in history, its future course surely remains quite open-ended, and it will certainly be subject in the future to many different forms of political contestation and mobilization, some of which will mold it in decisive ways. In particular, and as I have tried to indicate, globalization raises many new questions about economic regulation or governance at all spatial levels, and some form of social market politics seems to offer a viable, fair, and persuasive way of facing up to these questions.

Finally, while I have said little or nothing in this paper about the less-developed areas of the world, I see no reason — with due acknowledgment of the enormous difficulties posed by the vicious circles in which they are often caught — why at least some of them cannot benefit from the processes of urbanization and economic growth described above. These processes suggest that some of the more urbanized regions in these areas will eventually accede as dynamic nodes to the expanding mosaic of global city-regions, just as city-regions like Seoul, Taipei, Hong Kong, Singapore, Mexico City, São Paulo, and others, have done, and are doing, before them.

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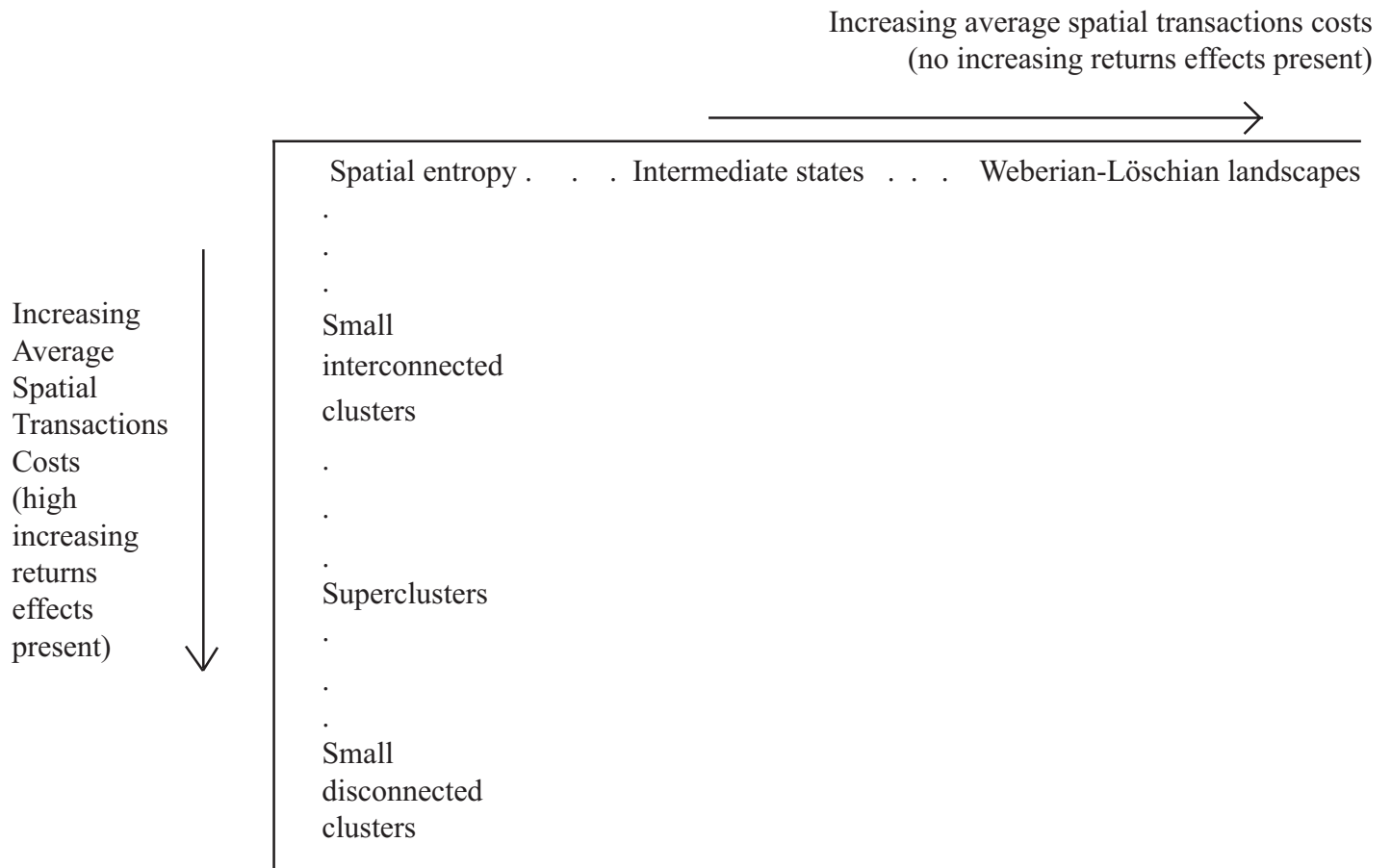
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APPENDIX: Locational outcomes as a function of spatial transactions costs and increasing returns effects.

The following diagram shows two main sets of locational outcomes, one along the horizontal axis, the other along the vertical. In both cases, spatial transactions costs (per unit of transactional activity) are on average increasing from low to high values in the directions shown by the arrows. More accurately, we should say that spatial transactions costs are changing from uniformly low, through mixed high and low, to uniformly high values. The horizontal series refers to states of the world where increasing returns effects are totally absent from the production system no matter how low or high spatial transactions costs may be; the vertical case refers to states where increasing returns effects are strongly present in the production system whatever the level of spatial transactions costs.



Five brief remarks on the contents of the diagram need to be made. In all cases it is assumed that there is some pre-existing — physically and historically-given — geographic distribution of basic resources and fixed capital assets. Without this assumption, the analytically derived locational outcomes would in most cases collapse into a single simple result, namely, the concentration of all economic activity into a single agglomeration.

1. Spatial entropy (randomness) of all locational activities occurs when spatial transactions costs are everywhere zero, no matter whether increasing returns effects are present or not.
2. With high spatial transactions costs but no increasing returns effects, the space-economy will be describable in terms of Weberian-Löschian landscapes, i.e., simple transport-cost minimizing geographic patterns.
3. Where spatial transactions costs are on the whole high and increasing returns effects are also high, small disconnected agglomerations will tend to be observable (as in the case, for example, of proto-industrial craft communities). The presence of increasing returns effects will encourage the formation of agglomerations, but the generally high transactions costs, by impeding access to external markets, will make it extremely difficult for any given agglomeration to grow.
4. Conversely, if spatial transactions costs are on the whole low while increasing returns effects are high, small interconnected agglomerations will occur. Producers will agglomerate because of the joint availability of increasing returns effects but only in relatively small numbers because the low transactions costs make it possible for many kinds of transactions (whether synergetic or not) to proceed successfully over long distances.
5. The final case is represented by a situation where the transactional system is composed of a mix of high-cost and low-cost spatial interactions (i.e., intermediate-cost transactions on average), and where increasing returns effects are persistently high. The net outcome in this instance will tend to be the emergence of superclusters. These will be all the more overgrown given (a) the high density of both expensive and synergy-bearing transactions inducing agglomeration, combined with (b) the existence of many low-cost transactions enabling producers to command far distant (and in the limit global) markets.