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# NEW URBAN MANAGEMENT

Attracting Value Flows  
to Branded Hubs

**Ari-Veikko Anttiroiko**





## New Urban Management

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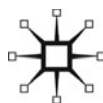
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▶ **New Urban  
Management:  
Attracting Value Flows  
to Branded Hubs**

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*To my beloved wife, Young Shin Lim*

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# 1

## Introduction

**Abstract:** *Discussion in this chapter aims to clarify a special aspect of globalisation, the increased fluidity in economic life, which urges local governments to reconsider the premises of their economic development policy. One new direction in this respect is emerging 'flow paradigm', which provides conceptual tools to understand the current economic reality and its dynamics. Ability to attract global flows depends less and less on hard factors of production and more and more on collective symbolic capital. Hence, the relevance of city branding in global competition between cities. Such observations boil down to the idea of new urban management that focusses on attracting flows of values, such as capital, technological know-how, innovative firms, creative people and tourism consumption, to branded hubs in order to guarantee their wealth and economic resilience.*

**Keywords:** city branding; economic restructuring; globalisation; local economic development; space of flows; urban development

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This book discusses economic flows and their management from the point of view of urban governments. Such a view of urban management is a reflection of global imperative. A major goal of the high-performing cities seems to be to increase their attractiveness in order to benefit from the increased fluidity, mobility and connectedness associated with the major trend of our age – globalisation. Such an economy revolves around the global flows of different kinds of values, including both ‘frictional’ flows, such as people and goods, and largely ‘frictionless’ flows, such as money and ideas. Yet, the context of such development is much more nuanced than one might assume on the basis of the view of monolithic globalisation. Actually, the consequences of globalisation will be better understood if they are built through diverse lenses that reveal varying logics that affect the global reality, in their own way. In the interest of brevity, let us mention here four interrelated trends with far-reaching ramifications for understanding the dynamics of global flows that are distinct from the general idea of globalisation of the economy, the latter associated primarily with trade and financial flows: *digitalisation* as an efficient medium and platform of global flows of digital content (Zysman et al., 2011; Castells, 1996); *servitisation* (or *servicising*) as an innovative business model that through integrated product-service offerings contributes to decomposition of manufacturing and unbundling of services and consequently accelerates international trade in services (Vandermerwe & Rada, 1988; Cuadrado-Roura et al., 2002); *creativisation* as the emerging mode of development behind innovativeness and creative economic renewal and as a driver that increases knowledge-intensive flows (Florida, 2003; Bobirca & Draghici, 2011; Manyika et al., 2014); and *symbolisation* as the ontological core of the immaterialisation of the economy (Lash & Urry, 1994; Rossi & Vanolo, 2012). They all revolve around a profound global *service transformation* that characterises the development logic of the global age through the generative interplay of digitalisation and networking (Zysman, 2006; Zysman et al., 2011). Examples of such development logic include networked digital devices with a range of ready-to-use applications, digital music distribution systems and office equipment provided as a product-service system (PSS) solution, which are outcomes of creative processes that generate and combine various resources within a global production and innovation ecosystem and distribute solutions to customers in the increasingly borderless markets.

The challenges posed by global transformation affect the conditions of local and regional economic development. The world is urbanising

while cities are globalising (Clark, 2003), which paves way for metropolitan revolution (Katz & Bradley, 2013). The major challenge to cities seems to be to capture maximum value of their exchanges with their environment and to move up both the value chain and the global urban hierarchy. Globalisation has changed such a value creation setting in the way that for the foreign investor, the value added by different processes or activities at every stage of production has become more or less global. This is because specific functions of a value chain – production, finance, marketing, accounting, etc. – can be shifted to low-cost, high-productivity or innovative destinations. This differs drastically from the times when most of such activities took place within one geographic jurisdiction or region (Western Economic Diversification Canada, 2011).

In the big picture, in post-industrial cities in the ‘First World’ countries, which industrialised earlier than the rest of the world, attention has naturally diverted away from cost-competitiveness to knowledge, talent, innovativeness and high value-adding services. The global economic scene is changing quickly, however. For instance, leading Chinese cities, most notably Beijing, Shanghai and Shenzhen, are quickly climbing up the global urban hierarchy. Many cities may lose their position within a decade or two, as happened to Osaka in Japan or more dramatically to Detroit in the USA. Some cities or city-states that were not on the global agenda at all some 30 years ago, may be world leaders in many fields today, as is the case of Dubai. Along with such benchmark cases, overall economic situations also change and affect the general attractiveness and competitiveness of cities and regions. Thus, through their success, many previous low-cost destinations especially in Asia have become more and more expensive, even if most of them still have a long way to go to reach the level of high-cost post-industrial economies in the West. On the other hand, restructuring and declining processes in the developed countries are slowly changing some previous high-cost cities and regions into medium-cost or even low-cost destinations. In short, the world of cities is dynamic, and the pace of change is accelerating.

What can *post-industrial cities* do in the current historical situation? Straightforward reliance on cost-competitiveness is an unlikely option. Rather, concerning economic development, the previously discussed trends divert attention to the creation and utilisation of collective symbolic capital, in which attention is paid holistically to the quality of the factors of production and overall attractiveness and connectedness of urban communities. We just have to consider cases like Bilbao and

its Guggenheim museum, Silicon Valley as the magnet of high-tech entrepreneurship, Greater Boston's reputation as one of the global knowledge hubs and New York as the global financial centre. In all such cases, broadly defined 'symbolic capital' has a critical role to play in attracting the attention of various target markets, which, depending on the case, can be tourists, venture capitalists, students or artists. In such a process, productive capability may remain to be a backbone of the local economy, but it is equally important to consider the consumption side of the development, in which amenities and creative milieus are of vital importance. Actually, when considering especially the highly ranked cities and city-states such as Singapore, Hong Kong, Seoul, Paris, Rome, Milan, Frankfurt, Glasgow, Amsterdam, Los Angeles and San Francisco, the global urban landscape seems to be characterised by the omnipresence of branded cities and numerous smaller-scale themed attractions. The scene of human development is surprisingly 'spiky' in the sense that successful well-branded cities generate and transfer a proportionately excessive share of the global wealth (cf. Florida, 2005). In short, we have entered *the age of branded hubs*.

Current global developments urge cities to take a *branding-oriented approach to local economic development*. Such an approach pays attention to the symbolic mediation of the local and global. The comprehension of 'local' is anchored in local identity and in the context of local economic development in local economic identity, which serves as a cornerstone of the knowledge base for economically oriented city branding. A positive city brand serves the value creation in urban communities, contributing indirectly to local prosperity, jobs and better development opportunities for the future (Anttiroiko, 2014a). An example of new kind of branded city-state is Dubai, a themed attraction economy *par excellence*. It shows what bold theming with sufficient financial backup (oil wealth) and autocratic regime can bring about: a transformation from a desert outpost to an affluent, multicultural metropolis, and all that in about 40 years, which in historical perspective is a mere twinkling of an eye. It is a manifestation of the economy of fascination, in which wealth is created increasingly through demand-focussed entertainment, shopping and artificial enclaves (Schmid, 2009). Dubai's story is illuminating also because it reveals many controversial aspects of such development, including the roles of authoritarianism, megalomania, over-commercialisation, rapid demographic changes, segregation, violation of human rights and exploitation of immigrant workers (see Botz-Bornstein,

2012). Such cases, nevertheless, highlight the quintessence of the kind of collective endeavour and strategic positioning we are interested in in this book.

Cities have been at the outset nodal points of the world economy (Knox & Taylor, 1995; Cox, 1997; Sassen, 2001). Yet, as an instance of globalisation, the formation of interconnected urban nodes has accelerated, which, according to Manuel Castells (1989), has become possible due to the emergence of new information and communication technologies (ICTs). They efficiently facilitate information processing, communication, transactions and mobility; thus, being perfect tools for the networks of instrumental exchanges that devote themselves to manage flows of money and information. An increase in the volume and the speed of financial and other flows has created a new social ontological sphere, *the space of flows*, a term coined by Castells (1989) in the late 1980s. This concept depicts the idea that current trends in the economy have created a new kind of space, a frictionless realm, in which signifiers of value are transferred and exchanged with money as their archetype.

Our discussion about urban hubs and their ability to deal with global flows is initially derived from Castells' idea of *space of flows*, even if our discussion modifies the agenda due to the interest in the management of urban economic development. Castells (1989, 351) points to two important trends: first, production in the informational economy becomes organised in the space of flows, whereas social production continues to be locally determined, and second, local governments must develop a central role in organising the social control of places over the functional logic of the space of flows. Castells' conceptualisation of the local-global dialectics is fine as such, but the way the space of flows is conceptualised warrants further sophistication. The need for reconceptualisation comes simply from the fact that flows have been understood in macrosociology and political economy too vaguely, including Castells' works. They are usually referred to only passing without theoretical grounding and sufficient empirical specification. Besides, practically all conventional economic analyses of flows even in economics – including circular flow models, analyses of international trade, foreign direct investments and global financial flows – are as such insufficient for the purposes of analysing collective symbolic capital vis-à-vis global flows of values.

Along with increased fluidity and mobility in economic life, there has been in the recent decade a clear increase in the interest in global networking in business and governance. Now it seems that this discourse

is developing toward sophisticated flow paradigm or economic 'flowology' with an aim at gaining better understanding of the new economic reality and its dynamics. Such a paradigm is manifest in various emerging concepts, theories and approaches, which seek answers to the question of the nature of this new reality, including new mobilities paradigm (Urry, 2000) and the politics of flows (Hubbard, 2001; Doel & Hubbard, 2002; Halbert & Rutherford, 2010). There are also urban analyses that go beyond individual flows to wider set of flows (Gertler, 2001; Williams & Baláz, 2009) and urban-regional analysis of economic flows of cities, regions or city-states (Laakso et al., 2013; Yeoh & Chang, 2001). Furthermore, there also are attempts to provide comprehensive analyses of our world in terms of flows (e.g. Van Hamme & Grasland, 2011; 2012) or a holistic picture of the world economy by analysing the global material and immaterial flows, as in McKinsey Global Institute's 'Global flows in a digital age' (Manyika et al., 2014) and in the report 'DHL Global Connectedness Index 2014' (Ghemawat & Altman, 2014). Such analyses tell about a need to understand the fluidity, mobility and connectedness of our world and the fundamental aspects of the morphology of the new economic reality. Why? One reason is simply the fact that the higher degree of connectedness of a nation has a positive correlation with the GDP growth, as suggested by economic theory of comparative advantage and the same holds largely with cities as well (Manyika et al., 2014, 6, 21–23; Florida, 2005).

An interesting feature of the development of flow paradigm is the continuous methodological sophistication in terms of data, methods and interpretative frameworks, which makes it plausible to make a distinction methodology-wise between the earlier analyses of the internationalisation of the pre-1980s world and the development of approaches with increased sophistication of the analyses of globalisation from the 1990s onwards. This reflects interestingly the transition from the internationally oriented search for low-cost production sites to the global era of knowledge-intensive flows organised within complex production and innovation ecology (Manyika et al., 2014, 17). Descriptive statistical analysis of specific cross-border flows have a fairly long history, which had their methodological culmination in interregional flow analyses within regional sciences in the 1950s and 1960s (Isard, 1962). In the 1980s, the shift from domestic economy to international economy gained ground, culminating in the globalisation discourse of the 1990s. The manifestation of this new period can be seen in a methodological sense in research

on global cities, first within a political economy framework (Friedmann, 1986; Sassen, 2001) and later by the projects of GaWC research network with a strive for understanding global value flows through the world city networks. Research within GaWC started with the collection and analysis of data on corporate service office networks and later continued with the exploration of the spatial configurations of hyperlink networks at the interface of web mining and social network analysis. The most recent phase of this development seems to bring the true flow analysis into the picture, which benefits from Big Data analytics and multidimensional interpretative frameworks (Manyika et al., 2014; Ghemawat & Altman, 2014). As described by Manyika and others (2014) in the preface of their analysis of global flows in a digital age, '[w]e know a great deal about individual flows such as goods trade and cross-border financial flows. Yet little research has been done thus far that seeks to paint a comprehensive picture of the web of cross-border interactions of the different types of global flows that increasingly characterizes our world.' Indeed, the term 'flow' is mentioned only in passing and can hardly ever be found in keywords or indexes in the literature on urban management or urban economic geography. Flows have remained in the margin of urban analysis so far, giving impetus to start this exploratory journey in order to shed light on the nature of urban flow analysis and its relevance for local economic development policy.

This book discusses cities' symbolic battle over global value flows. We may call such a *city* 'hub', which is a dissipative structure or spatially embedded intersection of value flows. In this context, symbolic dimension refers to the non-material value of any aspect of a city that increases its gravitational pull, which when developed systematically is called city branding. When these two points are combined, cities can be seen as *branded hubs*. Lastly, *value flows* are anything that are transmitted across border and have economic value from the point of view of the development of urban community, such value being usually something like investments, information, technological know-how, talented workers or tourism consumption. Such a flow thinking gives an impetus to *new urban management*, which urges municipal managers and developers to take a closer look at flows that are of great economic value through local investment, production, distribution and consumption functions. Such an analysis translates into a strategic industrial policy window, which relates to an economic development brand of a city (see Baker, 2012; Anttiroiko, 2014a).



The structure of this book starts from the local economy, continues with flow analysis and then takes a view of urban management at the intersection of these two interrelated aspects of local-global dialectic. The next section, Chapter 2, conceptualises localities as the intersection of flows or as, as we may call them, *dissipative structures*. This is the first theoretically grounded approach to flows presented in this book, picturing a city as a hub made of flows of energy and matter, as theorised in complexity theory. This chapter provides also a brief discussion about local economic processes and local economic development, which form the application context for flow thinking. Chapter 3 discusses *demographic, political, social and cultural views of flows*, relying especially on analyses of distinguished sociologists like Manuel Castells, Scott Lash, John Urry and Arjun Appadurai. Chapter 4 continues by providing a concise introduction to *economic frameworks for flow analysis*, focussing on mainstream economics, regional analysis and economic geography. The next section, Chapter 5, applies the concepts presented in previous chapters to a generic flow analysis by highlighting three aspects included in Attractors-Flows-Dynamics model: attraction factors, types of economic flows and the dynamics of different types of flows, which are divided into two main groups: entrepreneurial flows that relate to production factors, business processes and entrepreneurship (firms' relocation, foreign direct investments and innovation) and flows of people (creative people, students, cultural tourists and conference visitors). Chapter 6 discusses the implications of flow thinking and analytics to *urban management*, highlighting the role of economic gravitation pull in the fluid global economy, the basic requirements of urban attraction management and the special role of urban symbolism in this process. The last chapter summarises the key findings and discusses briefly brand-oriented attraction management.

# 2

## Process View of Local Economy

**Abstract:** *The promotion of local economic development takes place in an increasingly fluid economic environment. This is why local governments benefit from better self-understanding of their nature as hubs of flows or 'dissipative structures', which opens up a view of a city's interaction with the outside world. This chapter builds a picture of local economy within such a framework. Discussion starts from approaches to flows and continues with flow-based views of urban community and economy. It conceptualises local economic processes and builds ideal models of growing and declining city, which illustrate the idea of city as a dissipative structure. Lastly, this section discusses the implications of such a view to local economic development policy.*

**Keywords:** city; complexity; decline; dissipative structure; economic development; growth; local economy; material flows; sustainability

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Cities are complex sites of social interaction, which have changed tremendously during the last century, especially in the West due to time-space compression associated with globalisation as the last instance of the radicalisation of modernity (cf. Giddens, 1990; Harvey, 1989; Nunes, 2001). Cities as the sites in which various kinds of value flows are handled can be called *hubs*, in which value flows intersect, or *nodes*, as the nodal points of information networks. These two concepts point to an important conceptual distinction: ‘hub’ refers to the intersection of flows, thus, picturing a locality that is a locus of dynamic flows of value objects or subjects, whereas ‘node’ relates to network logic, which emphasises either social ties and dyadic relationships (Granovetter, 1973) or, as sometimes within political economy, impersonal instrumental relations at a theoretically constructed whole-network level with a direct connection to the power relations within and between networks (Castells, 1996). In this book, flows are discussed primarily within the former dynamic framework. Even if both hubs and nodes describe the relational existence of urban communities fairly well, their conceptualisation is usually left thin in theoretical terms. In the interest in creating a theoretical foundation to the conceptualisation of cities, in this chapter, we will consider the idea of ‘dissipative structure’, which provides a holistic view of cities as the centre of dynamic value flows. Before going into details, however, there is need to discuss briefly another key concept of this book, flows. What are those *flows* we refer to when discussing cities as dissipative structures or economic hubs? How have they been approached in social sciences? This is an important matter that will be touched upon only briefly here. In the subsequent chapter, this matter will be addressed in a more detailed manner from both theoretical and practical points of view.

## Approaches to flows

If local communities and local economies are seen as hubs or dissipative structures, it implies that flows are important for the functioning of such a whole. In other words, flows are constitutive elements of reality and define our social existence. We may trace the philosophical background of flow analysis as far back as to the thinking of Heraclitus of Ephesus and his fragments on the philosophy of ever-present change. In his fragments, that were passed to us through the writings of Plato, Simplicius and many others, we find dialectics obscured by riddles and paradoxes. Some of the

most famous fragments can be found in Plato's *Cratylus* (402a), 'Heraclitus says, you know, that all things move and nothing remains still, and he likens the universe to the current of a river, saying that you cannot step twice into the same stream'; and from Simplicius, the crystallisation of Heraclitus' philosophy is captured in two words, 'everything flows' (Sedley, 2013). Heraclitus is the forefather of *dialectics*. He developed somewhat obscure ideas of how processes and structures characterise our world, as in the idea that 'we both step and do not step in the same rivers'. Such an approach is in a clear contrast with substance metaphysics that evolved during pre-Socratic times and started to dominate Western philosophical thinking since Aristotle's teachings. Consequently, process and flow-oriented philosophical analyses have been in the margin in the history of ideas. In modern times, dialectics was given a new life in German idealism, most notably by G.W.F. Hegel, who admired Heraclitus for his ability to understand the dialectic nature of being. Later, Hegel's dialectic found its radical expression in Karl Marx's historical materialism, which turned Hegelian idealism upside down, so to speak (Seibt, 2012). This is the root that was later seen in the works of Manuel Castells, John Friedmann and David Harvey, for example.

In Western philosophy, another line of thinking that laid foundation to process philosophy was represented by Alfred North Whitehead (1861–1947), who developed his own speculative process metaphysics. In historical perspective, he was not particularly influential, but he, nevertheless, laid a foundation to *process philosophy* and gave impetus to its later developments. He was highly regarded by French philosopher Henri Bergson (1859–1941), whose theory of duration has a connection to process philosophy. More importantly, he was influenced and gave influence to American pragmatism, especially through William James (1841–1910). *Pragmatism* – the most prominent pragmatists including William James, Charles Sanders Peirce, John Dewey and G.H. Mead – was the major school that embraced process thinking and adopted it as one of the key elements of its philosophical foundation, usually referred to as a process-based pragmatist metaphysics. Another camp in which process thinking has had its role is phenomenology and existentialism, from Martin Heidegger to Maurice Merleau-Ponty, having its conceptual arsenal applied to social sciences in the works of Alfred Schutz and through his influence in social constructionism of Peter L. Berger and Thomas Luckmann. Whitehead, together with Bergson and other early representatives of process philosophy, influenced a wide range of social philosophers of our time, whose

discussions of human experience, symbolism, space, 'virtual' and social construction of reality relate to process philosophy and narrative turn in the social sciences, as we may find in the thoughts of Gilles Deleuze, Bruno Latour and Susanne Langer (Seibt, 2012).

Probably the most influential branch of philosophical thinking that rests at least partly on the shoulders of process philosophy evolved in the *philosophy of physics and natural sciences*. It developed under such labels as complexity theory, chaos theory and network science, some of the most well-known representatives being Ilya Prigogine, Fritjof Capra, Isabelle Stengers and Albert-László Barabási. Most notably, the work of Prigogine and his colleagues gave later impetus to analyse communities and social formations as complex adaptive systems and as dissipative structures. Such discussions relate to a strand of thinking that draws from physical, ecological and geographical dimensions of flows, which became synthesised by Michael Batty in his *The New Science of Cities* (MIT Press, 2013). Drawing from different disciplines and fields of research, he develops the notion that it is flows rather than locations that are key to an understanding of cities. As a member of the same family, we may mention *industrial ecology*, which is empirical study of material and energy flows through industrial systems. In urban studies, attention is directed toward the analysis of the socio-technical systems and related governance arrangements that conduct these flows through urban systems. Policy-wise such perspectives are complementary, for while the empirical analysis of resource flows highlights the dependence of cities on specific sources and sinks for the resources and wastes they require, the analysis of socio-technical systems addresses the regulatory, institutional and knowledge systems that conduct these flows (UNEP, 2013, 33).

A related research field that has also addressed the issue of flows can be found at the intersection of such disciplines as human geography, economic geography, regional science and mainstream economics. Probably the largest pool of ideas and models that relate to flow analysis was developed within regional science, as many of the German, French and American classics have discussed in detailed way a range of topics relevant for this book, starting from Walter Christaller, August Lösch and François Perroux. It certainly does not do justice to this tradition, but let us focus here one person who has been regarded as the father of regional science, Walter Isard. He and his colleagues and disciples developed an important early form of flow analysis, known as *interregional flow analysis* (Isard, 1962). It is one of the most consistent and comprehensive

frameworks for such an analysis. Another major contribution to this field can be found from the work of Peter J. Taylor and Globalization and World Cities (GaWC) research network, which paid special attention to global cities, global urban hierarchy and the globalisation of the economy (e.g. Taylor, 2000). There are also special research areas worth mentioning, such as tourism, that have developed their own flow analyses. More formal economic analyses of flows developed in mainstream economics have had profound impact on society through accounting systems, which keep track of economic flows. In addition to this, in neoclassical economics, which has its foundation in the writings of William Stanley Jevons, Carl Menger and Léon Walras, flows became conceptualised in circular flow models accompanied by formal microeconomic analyses of international trade, foreign direct investment and financial flows.

Flows have also been conceptualised in sociology, cultural studies and political science. Their analyses shift the focus to cultural flows of late modernity and power relations associated with global flows. In this field, a key figure is previously mentioned Manuel Castells (1989; 1996), who coined the term *space of flows* and whose macro-theoretical analysis of the network society has given impetus to macro-theoretical network and flow analysis. Similar kinds of contributions to flow analysis have been provided some prominent urban sociologists, such as John Friedmann (1986) and Saskia Sassen (2001). Another related tradition is known as the *mobilities paradigm*, which analyses the movements of people, ideas and things and their social implications. Its roots may be traced to the sociology of Georg Simmel (1858–1918), but it got its modern formulation much later in the works like John Urry (2000) and Sheller and Urry (2006). Lastly, there is a wide range of cultural analyses of flows, of which probably the most well-known are the *economies of signs and space* by Lash and Urry (1994) and the cultural view of global flows popularised by Arjun Appadurai (1990; 2003).

Some of the above approaches to flows will be briefly discussed in the subsequent chapters in order to outline the major frameworks for flow analysis.

## City as a dissipative structure

Densely populated human settlements have, since the early times of human migration, interaction and territorial conflicts, played an important role as the loci of commerce, power and security (Kotkin, 2005).

When such interaction started to gain a certain degree of stability due to the emergence of large kingdoms and later sovereign nation-states and related international system, it laid a foundation for the acceleration of international trade and other forms of interaction. *Industrial cities* became the primary loci of modernity, which were tightly connected with their national systems and as themselves served both hubs of export and import as well as the primary instances of reproduction. Modernity reached its new phase due to an acceleration of many aspects of both production and consumption and, equally importantly, to an increase in the complexity of human societies and cross-border exchanges (Giddens, 1990). *Post-industrial cities* dominated by services and knowledge-intensive activities has a different outlook than the industrial city in an essential sense, as the latter developed as the site of heavy industries and logistics. Such a change has an impact on local politics, economy and community life and thus calls for new urban paradigm. One of the illuminating changes in this respect has been the proliferation of forms of interaction between cities, which includes a shift in the composition of flows from material toward immaterial, marking another profound change in the relational existence of a post-industrial city (on urban development, see e.g. Pacione, 2005).

If we start building the picture of cities from the material side of their existence, they can be seen as complex, multidimensional ecosystems (Berkowitz et al., 2003; Forman, 2008). We may see them even as an analogy of living organisms, which maintain their life by self-organisation due to material and energy fluxes received from outside. Such an 'archestructure' of life is called *dissipative structure* in complexity theory (Prigogine & Stengers, 1984). Such structure creates order through fluctuations, a process that is maintained by flows of energy and matter (Prigogine & Stengers, 1984). Complex social-ecological systems such as urban communities are dissipative structures of a special kind as they create, receive, process and export human created artefacts. Thus, rather than as natural cycles or physical flows, the *differentia specifica* of global urban system and its interconnectedness should be seen through human and social interactions, such as cross-border investment, technology transfer or knowledge sharing (Pulselli et al., 2005).

The idea of *dissipative structure* implies a paradigm shift in that focus is taken away from *place* as a locus of historically rooted materialisation of local identity as well as from *space* as a physical 'container' within which human and social processes take place, organised according to

the pre-given hierarchical structures of territorial communities, those of state, region and local governments. Instead, city as a dissipative structure is an ecosystem in which there is a continuous exchange of energy and matter between the community and its environment. The internal dimension of such a view see the city as the site of interaction of large number of human actors who share the same spatial structure. As explained by Pulselli and others (2005), in cities 'many interacting agents coexist and generate an apparent herd of disconnected signals, textures and settings. The stationary structure of buildings, streets, infrastructures and other settings is therefore just a state for a multiplicity of activities, dynamic phenomena and coevolutionary processes'. From our point of view, there is, however, an even more important side of the picture, external relations, of which economic and ecological dimensions are the most widely discussed in current literature. Local economy as a dissipative structure emphasises a city's economic exchanges with its environment, which, especially through export, is a key to its economic growth. The other side of urban materiality builds a picture of city as an open, dependent subsystem of the materially closed non-growing ecosphere. Cities as subsystems produce themselves and grow by feeding on energy and matter extracted from their host ecosystems. Especially high-income consumer cities are concentrated nodes of material consumption and waste production that parasitise large areas of productive ecosystems and waste sinks lying far outside the cities, as described by Rees (2012). All such material processes constitute the cities' true ecological footprint.

As any entity must maintain its existential form while interacting with its environment, there is a need for internal maintenance referred to as homeostasis. In other words, essential structures are sustained by fluxes of energy and matter that constantly flow to and from the outside, which let them maintain a steady state (Pulselli et al., 2005). Such an approach highlights the importance of resource flows as they generate order in the city and sustains its ordered structure over time. This view has a close resemblance with a material view of urban flows, which eventually developed into sophisticated methods of environmental accounting. It represents the basic level of the analysis of urban economic flows. Such a view can reveal, in a very rudimentary level, differences in the nature and role of cities within a wider functional economic system. Some communities are mainly reservoirs of natural resources whereas cities with developed functions in the intercity exchanges serve as hubs with high intensity of resource fluxes (Pulselli et al., 2005).



As said, the idea of dissipative structure brings environmental aspect into the picture as it helps us to pay attention to resource depletion within different urban systems and assess how much they create waste in absolute terms and in relation to their demographic features and gross metropolitan product or gross urban product (L'Esperance, 1980; see Rees & Wackernagel, 1996; Rees, 2012). There are wicked environmental problems, such as climate change, which relate cities tightly to the fate of the globe. As put by Rees (2012), to achieve sustainability, global society must rebalance production and consumption, abandon the one-dimensional growth ethics, relocalise our economies and increase urban-regional self-reliance, all of which question the prevailing global economic development ideology. Are cities ready to take such corrective measures while facing the pressure of global intercity competition? To meet such a huge challenge obviously requires the formation of networks and alliances of solidarity, which have already found their first expressions in such organisations as United Cities and Local Governments (UCLG), Metropolis, ICLEI – Local Governments for Sustainability, INTA International Urban Development Association and the like (see e.g. Barber, 2013).

To sum up, cities are self-organising, far-from-equilibrium dissipative structures whose 'self-organisation' is utterly dependent on access to abundant energy and material resources (Rees, 2012). Such dissipative structures breathe through their material and immaterial flows, maintain their vital processes and develop new ones, thus providing a functional setting for people who work and live, do business or just visit cities occasionally. Our world as a whole is made of ecosystems, including densely populated consumption, production and exchange hubs like cities, which operate within various economic, environmental, political and cultural conditions.

## **Open local economy**

The idea of city as a dissipative structure is able to reveal something essential of the existence of the city and to explain the realities of local economy. Such a paradigm is particularly interesting as it operates at the intersection of urban formations and economic activities. What is striking is the need to go into the conceptualisation of the local economy beyond mainstream economics. Inspiration for such an analysis comes from varying sources. One of the paradigm breakers in economics is

Nicholas Georgescu-Roegen (1971), whose *flow-fund model* is based on the identification of flows and funds as the two fundamental production elements. 'Flows' are those elements that appear or disappear in the production processes, i.e. they are utilised only in one process as an input or emerge from a single process as the output. Flows thus correspond with certain quantity of material, substance or energy, which enters into the system in a given instance. The analysis of the transformation of flows tells us what the system does in relation to its wider context and with regard to its internal components within the locality. 'Funds' in turn provide services in several production processes that occur over time and do not decumulate the same way as flows. Fund elements are thus fairly durable or unchangeable agents that transform the inflows into the outflows (Mayumi & Gowdy, 1999). There are elements that serve both processes, such as water. For example, lakes and rivers are part of our ecosystem, and in this sense, they are part of ecological funds. However, socio-economic water uses such as drinking or industrial water use represent societal flows. When Georgescu-Roegen's ideas are taken further, they built a basis for ecological economics, directing attention to such issues as resilience of flow-fund linkages, efficiency in the use of flow elements and maintenance and reproduction of fund elements in the metabolic process (see Giampietro et al., 2014; Mir-Artigues & Gonzalez-Calvet, 2007; Mayumi, 2001).

Yoshinori Shiozawa (1996) of Osaka City University is one of the economists who have pointed out the problems of the 'equilibrium trap' of neoclassical economics and tried to show the way out. The idea of dissipative structure may serve in building such a new paradigm, taking living systems as their exemplary instances, which are able to maintain their functions due to their functioning as dissipative structure. It may and often does take the form of a stationary state, but it is nevertheless very different from equilibrium. The concept of dissipative structure makes it possible to have a new perception of how an economic system works, as within the dissipative framework the internal structure determines volumes and speed of economic quantities (see e.g. Jenner, 1994). Yet Shiozawa points out that if the problem were only the existence of internal structure, the economic system could be approached simply as a self-organising system. However, it is a system which constantly brings resources in, exports goods and generates waste, which calls for broader perspective on the economic system and its functioning (cf. Shiozawa, 1996; Foster, 2011).

## Local economic processes

Local economic development is determined by various internal and external factors and also by the kinds of relational factors that are shaped at the local-global interface, which all form a unique constellation in each case. We can identify three core processes: (1) *community asset* mapping and development to best utilise local history, nature, built environment, culture, and the human and creative potential; (2) identification and utilisation of local *attraction factors* in order to attract resources from the global flows of values; and (3) supporting local R&D, commercialisation and the selling of *local products* in global markets. To these, we may add a cross-cutting category, which is extremely relevant to the local development process, (4) *knowledge processes and networking*. This economic development scheme of local-global dialectic is illustrated in Figure 2.1.

In local economic development, the export-oriented industries of the economy have a critical role to play as they bring wealth into the urban community from elsewhere. It has even been said that without export-oriented firms, the local economy is doomed to decline (SPUR, 2010). In economics, such thinking relies on the *export-base theory* or export-base model of regional economic growth developed in the 1950s by Douglass

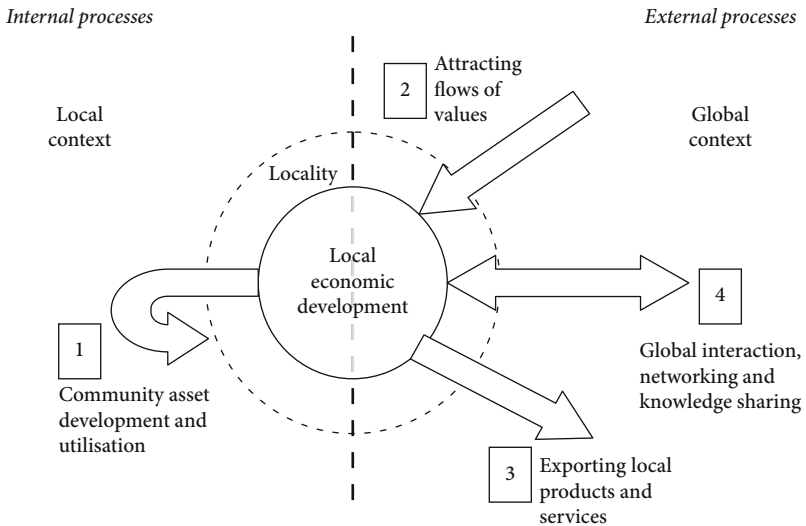
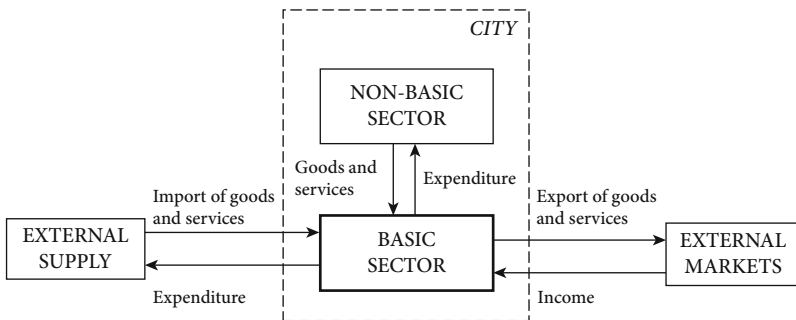


FIGURE 2.1 *Local economic activities and local-global dialectic*

North. Cities need the rural areas to buy in food and raw materials; any importing activity can be seen ‘city-forming’ as it ultimately sustains urban population. According to the export-base theory, the ‘basic sector’ produces goods and services that are sold outside the city, which provide finance that in turn enables basic requirements to be imported into the city. The non-basic sector consists of all those activities that provide goods and services for the city itself, having thus primarily a ‘city-serving’ function, associated with local public services, street cleaning, local police, fire service, food outlets and local bars. Theoretically, these two functionally interdependent sectors account for all the economic activities in the city (Clark, 2003). This scheme is illustrated in Figure 2.2.

Even if the reality is much more nuanced than the short description above, the export-base theory provides some hints about the critical role of export in local economy. The theory assumes that the level of a region’s economic activity is underpinned by the performance of its export sector (Ha & Swales, 2010). North (1955) argued that regional growth is largely determined by the region’s response to exogenous demand. In a world in which trade is largely internationalised, regions outside of one’s own are superior producers of many goods and services that are consumed locally, and in order to be able to pay for these imports, the region must specialise in certain exportable goods and services. As regions grow, their economy becomes increasingly diversified, due to increases in local production and the emergence of new industries serving export markets. With the increasing diversity of regional export bases and the mobility of factors of production, production will tend to disperse across regions over time, and per capita incomes will tend toward interregional



**FIGURE 2.2** *City’s economic flows*

Source: Adopted from Clark (2003, p. 40).

convergence as assumed in the Hecksher-Ohlin-Samuelson (HOS) model of international trade. Export-base theory has some intuitive appeal, but it obviously has its problems too, as its inability to deal with the role of endogenous growth in urban-regional economic processes (Dawkins, 2003; Markusen, 2007). In any case, some of the more recent studies on urban growth indicate that at least some aspects of export-base theorisation have their lasting relevance. For example, Markusen and Schrock (2006) have shown that the search for niches in exporting sectors and related occupational mix in the context of accelerated world market integration is the key to urban resurgence.

Local economies may vary considerably in terms of industrial composition, fluidity and location specificity. Let us consider two ideal types of the relationship between territories and flows as presented by Michael Storper (1997, 177–181): a *pure territorial economy* and its antithesis, a *pure flow-substitution economy*. The first assumes the dependence on resources with specificities that are strongly territorialised, whereas the latter either through ubiquity of production factors or elimination of the need for locationally scarce assets creates the conditions for nonspecific, locationally replaceable and perfectly elastic factors of production. Even if these are theoretical constructs, there are economic activities that reflect such conditions, such as the production of certain high-quality goods and specialised services as the case of territorialised activities and certain light industries and commodified consumer services as examples of flow-substitution economy. From the point of view of a city, it is important to consider how its economic profile relates to these ideal types. Two extreme cases are a high-cost global financial city vs. a low-cost destination with golden beaches, which have utterly different preconditions for economic development. Yet whatever the economic profile of a city, they are all connected to the increased fluidity and mobility of the economy.

The world of urban economic dissipative structures is asymmetric. Some attract more productive inputs than others and some gain more tourists, for example. Let us consider two ideal types of city as dissipative structures in terms of growth and decline. The *growing city* can utilise economic flows as an attraction hub (inbound consumption) and/or as an export base that benefits from low production costs, high productivity or innovativeness. An opposite ideal type is a *declining city* that fails to benefit from such flows due to a closed, impoverished structure, which causes outbound consumption, negative net exports and escaping flows. There is need to remember, however, that imports can also contribute to

growth; these ideal types should not be interpreted too literally. Also at times, directionality can be biased even in the case of rapidly growing cities. For example, South Korea’s FDI depth reveals strong bias toward outward investment, i.e. greater prevalence of Korean companies investing abroad relative to foreign companies investing in Korea, which will have its impact on the long-term development of the country (Ghemawat & Altman, 2014, 19–20). Cases that illustrate some features of these abovementioned ideal types are respectively those of Dubai as a growing attraction-based consumer city, Palo Alto in Silicon Valley as a growing innovative producer city and Detroit as a declining city. Two ideal types of urban dissipative structures are illustrated in Figure 2.3.

The descriptions above help to conceptualise the relevance of flow-based thinking from the perspective of urban economies. Such a view of economic dissipative structure implies that resource flows generate and sustain order in the city, which in the booming city is more about growth management and control than anything else, whereas in declining city such an ‘order’ can be devastating and agonising. In the latter case, there is a need to change the volumes, qualities and directions of flows in the purpose of ending the vicious circle and aspiring to better order of things – a task that is easier said than done, especially in cases that suffer from such fundamental problems that prevent them even to believe in their own capability to reinvent themselves, not to speak of the difficulty to make the outside world to believe in the problem city’s recovery. As mentioned before, Detroit illustrates such a tragedy well, for it once was

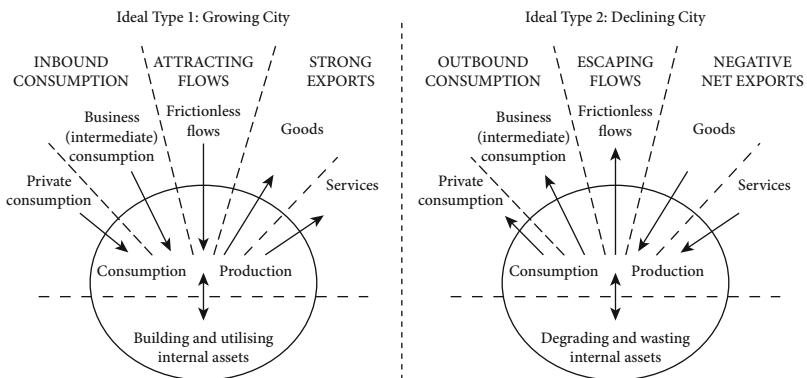


FIGURE 2.3 Two ideal types of urban dissipative structures: growing and declining city

a pride of American car industry, a thriving city with 1.8 million people (in 1950), which, however, due to its inability to restructure its economy – i.e. to attract new businesses in growth sectors in order to replace lost manufacturing jobs – was swept along the vicious circle that led to high unemployment rate, eroded tax base, increased debt burden, deterioration of physical environment, increased crime and social problems and population decline (in 2010, it had around 700,000 inhabitants). It seems that if a million-plus city can be built in some 30 years if premises are in place, as in the case of Dubai or Shenzhen, it can also be destroyed approximately within similar time span, as exemplified by Detroit.

Thinking local economy in terms of flows has its challenges, however. First, flows are more or less impossible to observe in their entirety, which poses a challenge of understanding their nature, directions, channels and impact. Another challenge is poor availability of statistical or other relevant data on economic cross-border flows. Related to this, flow analysis in urban economic geography is methodologically in its infancy. There are methods for data, cash, patient and material flow analyses and attempts to analyse urban flows within the framework of complexity theory (e.g. Batty, 2013), for example, but a comprehensive and synthesised economic flow analysis relevant for local economic development has obviously been too challenging a project, which has led to partial analyses on trade flows, FDIs, tourist flows and so forth. Only interregional flow analysis developed by Walter Isard (1962) has been somewhat successful in conceptualising this fuzzy field, even though it also has problems in explaining the logic of flows and providing information that serves optimally policymaking process. On the other hand, some recently published contributions suggest that methodology-wise flow analysis is likely to improve in the coming years (Manyika et al., 2014; Ghemawat & Altman, 2014). Lastly, it is also rather challenging to draw policy implications from even sufficiently well described intercity or interregional flows of urban-regional economy.

## **Local economic development in context**

Promoting and sustaining economic development is one of the primary functions of local governments. Its history is as long as the history of cities. Yet never in the earlier historical times has globalisation affected the local economic policy as profoundly as it does today. Implications

for the need to overcome both reactionary localist as well as opportunistic globalist agendas are obvious, for it is self-evident that both sides must be properly understood in the new local economic development paradigm.

The most influential global institutional promoter of better local economic development (LED) is the World Bank, which has relied on the following view of this activity area: 'The purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.' (Swinburn et al., 2006). The World Bank tries to develop a balanced view of LED by weighing competitiveness against sustainability and social inclusion. However, the core of LED is for understandable reasons economic, i.e. communities' continuous efforts to improve their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes (Hague et al., 2011; see also Blakely & Green Leigh, 2009).

The promotion of local economic development has its functional root in the provision of energy sources, land and infrastructures to manufacturing plants. After World War II, the emphasis of promotional activities was on the attraction of increasingly footloose light manufacturing industry and foreign direct investments, typically through offering grants, loans and tax breaks. A new phase started to emerge in the early 1980s with greater interest in the retention and nurturing of local businesses and a more selective targeting of inward investment. This is the time of the proliferation of incubators, business parks and support services to small and medium-sized enterprises (SMEs). It has been said that from the late 1990s onward, attention in LED shifted away from individual firms and toward enhancing the business environment as a whole, i.e. toward 'soft' aspects of LED, such as networking, training and skills and public-private partnerships. A particularly important nuance was the recognition that the ambience, urban amenities, quality of life and the brand of the place have a capacity to attract and hold businesses and talented people in the place (Hague et al., 2011).

In developed countries, LED has been usually associated with pro-business policies, but in a global perspective the picture is more diverse. On the basis of two dimensions – those of ideologically based policy priorities and the expectations concerning the role and functioning of



market mechanism – Hague, Hague and Breitbach (2011, 12–17) identified the following four types of approach to LED:

- 1 *Pro-business competition to attract inward investment*: an approach that aims to take advantage of the economic opportunities offered by market forces to achieve prosperity through economic efficiency.
- 2 *Regeneration approach*: an approach that prioritises economic efficiency and is a pro-business approach, but one that identifies market failure as a fundamental problem and thus allows targeted government intervention.
- 3 *Ecological modernisation*: an approach that emphasises that new environmentally friendly technologies and businesses can be the basis for economic development.
- 4 *Pro-poor local economic development*: a radical approach that is less likely to start from the presumption that market forces will deliver optimal outcomes – especially from the point of view of the poorest segment of society. This implies strong government intervention in LED.

Globalisation is the megatrend that conditions all these approaches. It may be that ‘pro-business competition to attract inward investment’ is the paradigmatic approach of neoliberal global cities, but ‘being Global’ concerns any urban government that aims to promote local economy. Regeneration strategies, for example, utilise global-local dialectic in its sectoral policies and area development, ecological modernisation is itself closely associated with global green movements and favours global transfer of green technology, and pro-poor policies need to empower the poor and to connect the community globally to enhance local capacity to support businesses and create jobs. Being market-oriented or inclusion-oriented is not the axis that determines the relevance of globalisation and local-global connectedness.

In local economic development, the global-local dialectic poses challenges to firms and industrial clusters as it seems that their capabilities are increasingly conditioned by their external linkages. The question is not about the ‘global’ understood as simplified, monolithic contextual factor, at times reduced to knowledge, capital and production located outside the region. If we think of the knowledge in particular, in the global age, it is seemingly ubiquitously available, but the reality is that it has its own geography, shaped by regional actors’ positions in various sectoral innovation networks (Benneworth & Dassen, 2011). There are

large globalised firms with ‘global pipelines’, which have a potential to contribute to ‘local buzz’ through local SMEs (Bathelt & Glückler, 2011). ‘Global’ is inbuilt element of ‘local’ in such a context. Local-regional innovation capacity depends essentially on the potential to rely on leading firms and institutional players active in global networking and to integrate them into local innovation system in order to stimulate local dynamism. How to do this depends on local conditions. For example, areas that lack leading firms with strong positions in global networks may design policies that help them to connect globally. Areas that are too dependent on a single firm or sector need to deepen the pipelines by extending hinge connectivity and networks around the hub. Regions with strong firms that do not work together need cluster building. And regions with several clusters need to build up new regional hinges with connection to regional firms (Benneworth & Dassen, 2011). Emphases of different aspects of local-global linkages must be designed and implemented case by case. The flow analyses are tools that help to make sense of such a challenge from the point of view of different flow categories and their dynamics.

# 3

## Flows of People, Cultures and Symbols

**Abstract:** *This section discusses the aspects of urban dissipative structure that go beyond material flows. Discussion starts with a brief outlook of migration flows. Next topic is the political economy of urban symbolism followed by discussion of economies of signs and of the cultural landscapes of late modernity. The figures whose theorisations are in focus include Manuel Castells, Scott Lash, John Urry and Arjun Appadurai. This chapter provides not only a glance at space of flows and similar concepts but also a selective introduction to the sociological side of flow analysis.*

**Keywords:** cultural flows; economies of signs; late modernity; Manuel Castells; migration; reflexive economy; space of flows; symbolic economy

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## **Prelude: people crossing the borders**

We live in the age of migration. The phenomenon itself is not a new, and the growth of the flow of long-term migrants across borders has increased actually modestly: in recent decades, growth rate being in line with population growth. Also the share of population that lives outside its country of origin has persistently stayed around 2.7%, which indicates the existence of strong barriers to the movement of people. Nevertheless, migration has become both regional and global phenomenon with tremendous impact on both origin and destination countries (Castles et al., 2013). The dynamism of population flows is increased by rapidly growing short-term movements, consisting of voluminous flows of business and leisure travellers, totalling 910 million in 2012, and smaller numbers students and other special groups (Manyika et al., 2014, 29–30).

A major cause of migration is people's eagerness to seek a better life in the context of growing inequality in incomes and human security. It causes the major migration flows between rich and poor countries. Beside inequality, migration is pushed further by rapid demographic transitions and technological advances in transport and communications. Another global dimension in this respect is that migrants do not shift altogether their social existence from one society to another – with a lifelong commitment to a new destination and building of new relationships and identity – but maintain transnational connections (Castles, 2013). So far in the geography of global migration flows North America, Europe and Oceania (incl. Australia) have been centres of gravitation, whereas net out-migration has been typical to countries in Asia, Latin America and Africa. Largest flows of migration have moved from Asia to Europe and from Asia and Latin America to North America (see Figure 3.1). Mass migration of illegal immigrants has become particularly severe problem in Mediterranean Europe and the USA, especially across its southern border.

Globalisation is not only a conceptual crystallisation of what is happening in our world, but also a story that is supposed to support certain instrumental aspirations. It connotes unbounded free space associated with free trade or global free-market policy and as its local instance the idea of neoliberal city geared to meet the challenge of attracting and managing global flows. Alternative interpretations presented in critical sociology and human geography dismantle such an overtly positive image or global version of growth machine thesis that assures us that

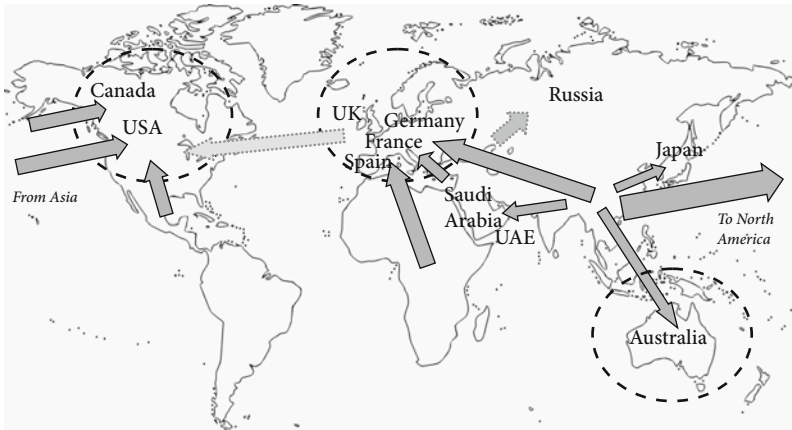


FIGURE 3.1 *Most popular countries for immigration – illustration*

globalisation benefits us all (cf. Massey, 2005; Logan & Molotch, 1987). Globalisation is asymmetric in a pervasive and even pervert sense (see e.g. Maddison, 2001). It is apparent in how most destination countries favour entry of the highly skilled people or ‘talent’ but restrict entry of lower-skilled workers, asylum seekers and refugees (Castles, 2013). In such a setting, ‘migration’ starts to look like a problem rather than an opportunity (Castles, 2010). Just as public policy and market forces started to intensify their revanchist actions against minorities, working class, the poor and homeless people in the post-war post-industrial cities (Smith, 1996), the same regimes are compelled to deal with the unwanted development of local-global dialectic both internally and relationally. They need to deal with the growing ethnic diversity within their jurisdictions and to rescale the revanchist actions to be able to tackle the emerging problems of global mobility (Shamir, 2005).

Another critical view is that even if globalisation is largely associated with trans-border flows, it can also be seen to consist of systemic processes of selectiveness, closure and containment. We have witnessed the emergence of a global mobility regime that actively seeks to contain social movement both within and across borders. Such a regime builds upon the ‘paradigm of suspicion’ that conflates the perceived threats of crime, immigration and terrorism, thus fuelling urban conservatism and constituting a conceptual blueprint for the organisation of global risk management. Conservative mobility regimes show, interestingly,

how guarded borders and gated communities relate to each other. The paradigm of suspicion, which has been fuelled by events from 9/11 to the terror of ISIL (Islamic State of Iraq and the Levant), has its expression in technologies of social screening, which are designed to police the mobility of those social elements that are deemed to belong to suspect or just unwanted social categories (Shamir, 2005).

## **Political economy of space of flows**

The relationship between economy and political institutions and the critical assessment of their underlying contradictions and the social outcomes of their interplay is known as political economy. In the urban context, such an approach emphasises the need to analyse urban communities in the context of national urban system and governance, and of global capitalism as well as their reflection at the local level, as expressed in such theorisations as world city hypothesis, local state theory, growth machine thesis and dual city thesis (Anttiroiko, 2014a, 3–7).

### **From David Harvey to Manuel Castells**

David Harvey has provided a broad theoretical account of urban processes under capitalism. His analysis provides a structural framework for flows, the urban dimension of capitalism, including its inherent accumulation tendencies and contradictions. The structure of flows of capital is at the core of Harvey's theorisation. The 'flow' is here, however, about how values circulate within capitalist economy, which has three layers: primary circuit of capital (basic functions of production and reproduction that aim at accumulation of capital), secondary circuit of capital (capital flows into fixed assets and consumption funds) and lastly, the tertiary circuit of capital (investments in science and technology and social expenditure on reproduction of labour power) (Harvey, 1985, 3–8). The urban dimension brings into this picture parochial local capital and the tendency to boost local development in the competitive global arena, thus factually setting the stage for the uneven geographical development of capitalism (Logan & Molotch, 1987). The local growth coalition harnesses its economic and political power to push the urban region into an upward spiral of perpetual accumulation. Especially in the US context of the 1970s and 1980s, local governments started to look

like 'collective entrepreneurs' as, just like firms, they can win or lose in their pursuit of 'bigger market share' (Harvey, 1985, 83, 126, 157). It was, at the same time, a reflection of the crisis of managerialism, the latter being based on allocation of state surpluses, organisational forms built on bureaucratic heritage and political control, and the dominance of social welfarist ideology, which turned upside down in the 1990s and 2000s when the attraction of private investment flows, professional and flexible business-style organisation and competitiveness-oriented neoliberal policy gained ground in local governments throughout the developed world (Griffiths, 1998, 42).

Castells took another route in analysing contemporary capitalist society. After his early career as Marxist scholar in the 1960s and 1970s (see Castells, 1977), he started to realise that Marxist tradition did not provide satisfactory framework for analysing urban change. Castells himself borrowed Marxist concepts in his overall framework in his later works, but he, nevertheless, disclaimed both the logic of capital and the idea of class struggle. In the early 1980s, he set himself to analyse the relationship of the globalising economy, technological advancements and new trends in social life with fresh concepts that helped him to capture the novel aspects of the emerging techno-economic paradigm and its urban-regional processes. This is when 'flows', even if clearly subordinate to the network logic that became the key explanatory category for his analysis, appeared in his texts. Castells (1989) started to conceptualise the political economy of global flows with new concepts, one of the most widely discussed of them being the 'space of flows'. Similar kinds of analyses of flows, connectedness, mobilities, virtualities and their connection with urban development started to penetrate academic literature in the following decades (Taylor, 2000; Urry, 2000; Sassen, 2001; Amin & Thrift, 2002). Castells' (1996) idea of space of flows was heuristically interesting even though it lacked deeper analytical value from the point of view of flow analysis. To be more precise, he distinguished three layers or modes of flows, associated with bits, nodes and global networks, which appear to be insufficient for understanding the variety that is of critical strategic importance to urban management.

## Ontology of space of flows

The background of the idea of *space of flows* is the structurally decisive role the information processing activities have begun to play in

post-industrial societies. It changes profoundly the mode of development, causing a transition from industrial to 'informational' or even 'creational' to change the terminological connotation from information processing capability to the utilisation of human creative capacity. Such informationalism is not sector-specific, but enhances all main economic sectors: primary (agriculture), secondary (manufacturing) and tertiary (services). This is why Castells (1989; 1996) speaks about informational economy rather than service economy. The peculiarity of such an economy is in its immaterial or frictionless flows, epitomised by global financial flows between global cities (Sassen, 2001). Castells described the emerging morphology as follows:

Our societies are constructed around flows: flows of capital, flows of information, flows of technology, flows of organisational interactions, flows of images, sounds and symbols. Flows are not just one element of social organisation: they are the expression of the processes dominating our economic, political, and symbolic life... Thus, I propose the idea that there is a new spatial form characteristic of social practices that dominate and shape the network society: the space of flows. The space of flows is the material organisation of time-sharing social practices that work through flows. By flows I understand purposeful, repetitive, programmable sequences of exchange and interaction between physically disjointed positions held by social actors. (Castells, 1996, 412)

The space of flows refers to the material organisation of time-sharing social practices that work through flows. According to Castells, such a social architecture has three fundamental layers. Its technological layer is made of *IT-based transmission systems*, which are constituted practically by a circuit of electronic impulses. These are the pipes and conduits of the flows. The higher-level layer is composed of *nodes and hubs*, which are essential social densities of networks and, at the same time, the critical switching points in global social morphology. This is the material infrastructure of the space of flows, which is maintenance intensive and requires advanced knowledge and services to work efficiently, hence, a certain degree of spatial concentration. Lastly, from the point of view of social structures, the space of flows is the expression of the *power and spatial organisation of the dominant technocratic-financial-managerial elite of the network society*, which reaps the benefits of orchestrating the global networks of instrumental exchanges (Castells, 1996; cf. Castells, 2000; Stalder, 2006).



## Places in the new social morphology

Various kinds of immaterial flows start from somewhere and end up somewhere and have their courses in relentless interconnected transfers with varying degree of friction. Such movement is determined by teleologies within bounded rationality as well as by a range of conditioning factors embodied in actions and actors with certain degree of locational fixity. Some locations have more favourable positions vis-à-vis global flows of values – such as knowledge, technological know-how, and capital – which shape the geography of flows. Yet what Castells (1996) emphasises is that more than places, this new geography is about nodes that serve as power centres within essential global value flows, i.e. this logic does not rest on ‘power of places’ but on the ultimately instrumental logic of the space of flows. This is why Castells seems to focus more on the networks that generate, exchange and transfer values rather than on the phenomenal aspect of this scene, the flows themselves.

Flows entail hubs, and the web of hubs, if they are functionally interconnected, become nodal points with their shared interests and subtle power relations defined by networks. We may thus say that under the prevailing network logic ‘hubs’ operate essentially as ‘nodes’. Yet as the focus in this book is on cities and their dynamic relationships with their broader economic environment, as expressed in the idea of urban dissipative structure, the term ‘hub’ appear to be more illustrative. This is one point where our analysis differs from that of Castells who explicitly focusses on networks as the emerging form of social organisation. For Castells (1989, 167–169; 1996), such social formation actually emanates from intra-organisational forms, which are the defining linkages in the wider spatial logic. In the world of organisations, the space of flows is the most significant space for the functioning, the performance and, ultimately, the very existence of any given organisation. ‘The space of organization in the informational economy is increasingly a space of flows’ (Castells, 1989, 167–169). This does not imply that organisations *in toto* are becoming virtual or placeless, of course. On the contrary, decision-making structures, markets and front-office operations continue to benefit from face-to-face interactions that require close proximity and are also dependent on specific pools of labour – most notably knowledge workers and creative people – who tend to congregate in favourable metropolitan areas, as hypothesised by Florida (2002) in his theory of creative class.

The paradigmatic example of flows from the political economy point of view is the global flow of capital, which has its nodes in the higher-level metropolitan areas of three prosperous macro-regions: North America, Western Europe and East Asia. This brings a special type of cities into the picture: global cities, with New York, London and Tokyo as their archetypes (Castells, 1989, 346; Sassen, 2001). Zaloom (2010, 254–255) condenses this by pointing to how the shift from face-to-face to electronic futures markets demonstrates a process that could be called urban virtualisation, as the characteristics of major cities are reproduced in digital markets. Interestingly, digital marketplaces mimic the centralisation and density of cities, where an agglomeration of money and opinion renders market prices legitimate beyond their source point. In financial hubs like New York or Chicago, people and organisations who profit from money and valuations have actually worked for generations to make their metropolis a locus of information and expertise.

In Castells' theory, time and space are inseparable and coextensive. In order to be able to interact in real time, actors need to be in the same space, which, up to now, has always been a 'place'. Consequently, the fact that two actors can be in different places – say, one broker working in New York City and the other in London – but share the same time, such as the presence of the financial markets, indicates that the social reality of space has been transformed. A new kind of space must be present which brings those brokers together in time without contiguity of physical space. Since time and space are coextensive, this new space is fundamentally different from physical space, yet connected to it. After all, brokers or other professionals are human beings in their corporeality, in our case one located in downtown Manhattan, the other in the heart of London. This new abstract space, the space of flows, does not replace the geographical space (Zook & Shelton, 2013); rather, by selectively connecting places to one another, it changes their functional logic and social dynamics (Castells, 1996, 146–147).

Castells' analysis implies that the essential change in spatial logic was a transformation from an economy of places to an economy of flows (Veltz, 1997, 84). For cities, as pointed out by Southern (2000), this means that 'each place holds its own role and respective weight in the information processing and wealth generating activities of the new [informational] mode of development'. Having said that, it is important to bear in mind that the flows of the global economy are not the only business of cities,

as Newman and Thornley (2005, 274) have correctly pointed out. Many other aspects, such as the quality of physical environment and cultural life, are equally important locally shaped elements of local economic development. In brief, however important flows and networks may be, especially in economic terms, place remains important. This is simply because frictionless modes of value transfer within a global capitalist system do not and never will make their spatial fix irrelevant; they are always needed by the capital at a particular time and place. Thus, global flows must be held down to particular places, which links globalisation processes with location specific local planning, policymaking and political decision-making processes (Harvey, 1989; Amin & Thrift, 1996; Amin, 2002; Newman & Thornley, 2005, 19).

## Cultural flows of late modernity

Flows are characteristic to *late modernity* (see e.g. Giddens, 1990; 1991; Beck et al., 1994; Bauman, 1997; 2000). If the modernity brought with it clock time, office hours and timely organised procedures, late modernity has brought with it flexitime, real time transactions across distances and timeless time (Giddens, 1990; Castells, 1996). Similarly, if modernity brought with it Fordist production, industrial logic, bureaucracies and universal services with dense service networks, late modernity brought with it post-Fordism, service-dominant logic, corporatisation and welfare mixes (Lash & Urry, 1994). Furthermore, if modernity was about state-centric international order, late modernity was about globalisation, global governance and the rise of cities and regions as global players (Held, 1997). What is essential in our late modern world can be crystallised in the ideas of disorganised capitalism (Lash & Urry, 1994), informational capitalism (Castells, 1989; 1996) or cognitive-cultural capitalism (Scott, 2011). They all point to the same direction, in which the drivers of the economy should be sought from informatisation, symbolisation, imagineering and reflexivity.

Economies of signs, as presented by Lash and Urry (1994), is a symbolic indication of the new era in economic life. It has emanated from economies of goods, the Fordist industrial model and, ultimately, organised capitalism. The mature phase of all these aspects of economy was affected by Keynesianism and welfare society development, which tried to create unity but actually created diversity. Yet only after the rise of neoliberal tendencies in the 1980s and more so in the next decade,

this development came to fruition in the form of globalisation of the economy, large-scale deregulation and increased multiculturalism. There is no need to go into details here, but what seemed to become clear by the 1990s was the end of the era of Fordism and organised capitalism. What emerged instead was *disorganised capitalism*, which is essentially about a de-centred set of economies of signs – information, images, symbols, brands – within new spatial structures.

### Surge of soft factors of production in the reflexive economy

Lash and Urry (1994) rely in their analysis on the idea of reflexive modernisation (see also Beck et al., 1994). It has various implications for the understanding of flows, most notably because it opens a new reconstructive horizon for the analysis of post-industrial society. One of the most pervasive ideas of this approach is to put epistemology before ontology in the sense that information structures, which facilitate information flows, symbolic economy and the development of information processing and creational capacity, replace social structures or, rather, overrides them. This is visible in individualisation but extends to practically all aspects of our lives and activity areas (Lash & Urry, 1994, 111).

The economic dimension of reflexive modernisation focusses essentially on the accumulation of symbols or signs, which brings cultural industries and more broadly economies of signs to the forefront (Lash & Urry, 1994, 111–122). Firms produce outputs by combining and processing factors of production and yielding added value from the process. Conventional economic analysis focusses on three types of inputs or production factors, land, labour and capital, which, however, are necessary but not sufficient to explain variations in the use of input and in the production configurations. Nor is it entrepreneurship or entrepreneurial culture or technological advancements and innovations that are the essence of symbolic capitalism. Rather, in order to understand the deep transformation in the economy, we need to look for such forms of capital as knowledge, trust and social ties, human capabilities and power relations. Such soft and contextual factors of production are socially constructed and sometimes even institutional and systemic in nature, thus requiring collective processes of resource generation and application to become fully materialised (Bathelt & Glückler, 2011, 64).

A parallel and equally important phenomenon in terms of urban transformation is the symbolisation of consumption. As put by Miles

and Miles (2004, 10), the role of consumption in city life has become increasingly symbolic. City is not only a locus of collective consumption (Castells, 1977) but of consumption, which is more about its symbolic than utility value. In the same way the inhabitants of a city are not only citizens with their rights and duties as members of their community but ‘consumers in and consumers of that city’, and as such, imaginative creatures who seek to experience in reality what they have already experienced in their imaginations, the latter being embedded within relationally constructed human existence (cf. Miles & Miles, 2004, 11–12).

### **Reflexive economy**

In the process of commodification, the functional features of the product or service give way to emotional and socio-cultural aspects of their use and thus to meaning-making and experiencing. It is no longer the cup of coffee that counts, but the coffee brand and the atmosphere it creates when consumed in a purposefully designed space. In this process, the ‘producer’ tends to withdraw to the background, and the ‘product’ acquires a new extended symbolic life. Such processes are based on a kind of symbolic disembedding mechanism, which has both individual (emotions, personality) and collective (mentality, culture) dimensions, and is the key to reflexive accumulation of capital (cf. Lash & Urry, 1994, 137). While manufactured goods have a new lease of life against commoditisation in the cognitive-cultural economy, branded products and especially arts and services in cultural industries refer back to their creators. Lash and Urry (1994, 137–138) assume that the praxis that the economy of branded products represents has a special logic with a historically unique nature. Namely, branding, especially in cultural industries, reflects iterated intellectual rights, a paradoxical shift from content to presenter/artist/author, implying that the added value in cultural products or marginal output does no longer necessarily come from an increase in artistic input but from a successful branding effort. Historically, cultural industries may have had a one-dimensional commodification phase in Fordist era, but in a reflexive modernity, ‘commodities’ understood as the commercial packaging of an artist’s creation are replaced by marketing or branding simply because that is the way to increase marginal output, create value and increase profits in the economy of signs.

In a reflexive economy *signs* will acquire a new relevance, and this is the landscape where brands come into the picture from the point of view of

both production and consumption. The commercialised world is ubiquitously branded due to increased competition. It is accelerated by increased mobilities, which have gradually changed the notion of 'place'. Cities increasingly operate at a distance and encourage distanced interaction. Even one-to-one interaction is increasingly technologically mediated (e.g. video calls and chats) and also more intensive and purposeful between distant colleagues than between neighbours. Such trends pave the way for emerging transnational urbanism (Amin & Thrift, 2002; Urry, 2000). Brand is the paradigmatic tool designed to help organisations meet such a challenge. The same applies to cities, which benefit from positive brand associations, be it, for example, technology entrepreneurship associated with Palo Alto, music festivals with Salzburg, international meetings with Vienna or something else. In the symbolic economy, cities attempt to raise their quotient of symbolic capital through a dialectic of sameness and distinctiveness; the *sameness* needed to associate a city with high-quality service in a given context, or upgrading its 'city club' membership, like Copenhagen has improved its position in GaWC rankings from a specialised city with Gamma level status of the late 1990s to Beta+ level global city rank by 2012 and obviously strives to reach the Alpha level status in the future (see Beaverstock et al. 1999; GaWC, 2014); and *distinctiveness* needed to better ground the claims in the uniqueness that yields symbolic monopoly rent. The latter point is explained by Harvey (2012, 104), who states that '[t]he 'branding' of cities becomes big business. Given the general loss of other monopoly powers through easier transport and communications and the reduction of other barriers to trade, this struggle for collective symbolic capital has become even more important as a basis for monopoly rents. How else can we explain the splash made by the Guggenheim Museum in Bilbao, with its signature Gehry architecture?' Much the same can be said about the cases like Dubai and Las Vegas, which exemplify a particular aspect of collective symbolic capital, which Heiko Schmid (2009) characterises as the economy of fascination.

## Social imaginary and five cultural landscapes

Within cultural studies and theories of modernisation, a widely cited articulation of flows is developed by Arjun Appadurai (2003). His article *Disjuncture and Difference in the Global Cultural Economy*, published in 1990, became a landmark of cultural perspective on global flows.

Appadurai identified five dimensions of global exchange of ideas and other cultural values. He labels these five categories of flows as cultural landscapes, which are in constant flux. We may call them ‘flowscapes’. The suffix ‘scape’ was used to indicate the sensitivity of discussion to the angle from which each dimension is approached, which make them perspectival constructs and, further, expressions of ‘imagined worlds’ or historically situated imaginations of people and groups spread around the globe. The chosen suffix points also to the indefinite, constructive and fluid nature of such realms of late modernity. People’s thinking is not anchored in the ‘local realities’ but on ‘imagined worlds’ which happened to become important part of their experience and imagination, be it brand community of Apple’s product users, global supporters of Manchester United or shopaholics who build their identity around luxury brands like Chanel. Appadurai describes how ‘image’ is directing us something critical and new in global cultural processes. Imagination as a social practice and socio-cultural phenomenon has reached a new level. It has become an organised field of social practice and central to all forms of agency; it is itself a social fact, making it a key component of the new global order (Appadurai, 1990).

Appadurai (1990; 2003) articulated a view of cultural activity known as the *social imaginary*. For him, such imaginary is composed of five dimensions of global cultural flows:

- 1 Ethnoscapes – tourists, immigrants, guest workers
- 2 Technoscapes – technologies, patents, know-how
- 3 Financescapes – currency markets, stock speculations, venture capital
- 4 Mediascapes – electronic capabilities to produce and disseminate images
- 5 Ideoscapes – images and data linked to ideologies and states.

De-territorialisation characterises all these landscapes. They are reflections of the fluidity of images, of the power of imagining and, thus, of the new cultural morphology. All of these elements are vital in understanding the new geography of value flows (Appadurai, 2003). Ethnoscapes have previously been discussed as a cross-border movement of people with their connections to the realms of production and consumption, which reveals apparent social contradictions that put people in completely different positions vis-à-vis opportunities and control functions associated with such movements (e.g. Castles, 2010;

Shamir, 2005). Technoscapes form the augmented economic reality of technological advancements, expertise and immaterial rights as sharp peaks in the 'spiky' global economy (Florida, 2005), which attracts flows to and transfers them between technology and knowledge parks, technical universities and clusters of advanced services (e.g. Castells & Hall, 1994). Financescape is expression of the increased importance of the financial sector and its operations in the economy, which is the bloodline of global business (e.g. Skott & Ryoo, 2008). Mediatisation has elevated the role of media and created what can be called a global mediascape. It refers to the electronic, audio-visual and print media and a range of new media communications and persuasive techniques that produce and disseminate global cultural flows. The imagery and narration of our worldly reality is created through such flows (e.g. Hepp & Krotz, 2014). Lastly, ideoscapes are in Appadurai's conception more political than the previous ones, which in our context includes economic development policy programmes from local to global level, analyses and recommendations of global and regional think tanks, such as OECD, and thousands of images that make up the ideological landscape of our time (e.g. Van Hamme & Grasland, 2011).

Heyman and Campbell (2009) claim that Appadurai's emphasis on disjuncture prioritises ephemeral and shifting flows, thereby underestimating the relative power of capital and the interactions between different kinds of flows. Likewise, his view of geography assumes that static units, be it the state or the city, are the opposite of flows, whereas a processual geography understands how flows can create, reproduce and transform geographic spaces. This alternative provides better understanding of global inequalities and boundaries and enables nuanced view of differentiated rights and treatments of mobile populations, including global risk management strategies (Shamir, 2005).



# 4

## Economic Frameworks for Flow Analysis

**Abstract:** *This chapter outlines the idea of flows in terms of economic taxonomies and categorisations. It provides brief description of circular flow models, T-account analyses (e.g. GDP), industry and cluster classifications, trade and capital flow analyses (especially FDIs) and descriptions of flows of goods and materials. The idea is to popularise the approaches and conceptualisations of flows on the basis of the rudimentary concepts and models in mainstream economics. Beside this, this chapter briefly discusses interregional flow analysis developed by Walter Isard and the new geography of flows as presented within GaWC research network led by Peter J. Taylor. This section thus provides conceptual tools needed to build a clear picture of flows that have economic value.*

**Keywords:** circular flow model; financial flows; flow analysis; industries; interregional flows; material flows; new geography; politics of flows

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The morphology of global economic development revolves around flows. Flows therefore form an important analytical category, which is worth a closer look. We may distinguish a range of families of theories which have contributed to the understanding of *economic flows*. They are, among others, previously discussed political economy of flows centred around Manuel Castells' (1989; 1996) notion of space of flows or other contextual flow analyses (e.g. Friedmann, 1986; King, 1991; Sassen, 2001; Van Hamme & Grasland, 2011; Van Hamme & Pion, 2012); classic interregional flow analysis in regional science (Isard, 1962) and modern approaches to flows in regional development (e.g. Williams & Baláz, 2009; Limtanakool et al., 2009; Salisbury & Barnett, 1999; Storper, 1997); the new geography of economic flows as analysed within the GaWC research network (Beaverstock et al., 1999; Taylor, 2000); and lastly, a family of mainstream economic analyses, such as the circulation model, national account systems, industry and cluster classifications, and material flow analyses (e.g. Noyelle & Stanback, 1983; Kelton et al., 2008; Beyers, 2010; Hammer & Hubacek, 2003; Zook & Shelton, 2013). As our interest is in understanding flows in their elementary form, we start with the analyses of flows as presented in mainstream economic textbooks and continue to industrial sectors, material flows and international trade, and end with more territorialised view by taking a brief look at flow analyses in regional science and new economic geography.

## Circular flow models and accounting systems

Circular flow models of income and expenditure and various account systems form a basic economic view of flows. The most rudimentary model to start with is a *two sector circular flow model*, which represents two-way flows of both products and resources between households and firms. Accordingly, we may conceptualise economy as flows of *goods and services* from producers (firms) to consumers (households) and as the respective flows of *factors of production* with their *monetary equivalents*, i.e. the circulation of wages, rents and dividends from firms to households and consumer expenditure in the opposite direction.

The restrictive assumptions behind the two sector model make it unrealistic for understandable reasons. This is why more accurate descriptions have been developed to describe the flows of income and expenditure in the economy. The *three sector model* brings the government sector

– operationalised as taxation and government spending – into the picture. The extended *five sector model* adds to domestic and business sectors not only in government but also financial and overseas sectors, which as a whole relate to expenditure leakages (savings, taxation and imports) and the respective injections to the economy (investments, government spending and exports). Such a model is illustrated in Figure 4.1.

Circular flow models provide a useful set of tools, which economists have developed to make sense of an economy, primarily by illustrating the links between income and spending and economic leakages (Cooper & John, 2011). They help in building a picture of the interactions and interdependencies of main economic sectors as well as of the circular nature of the economy. From our point of view, one of the interesting points is its ability to show formal leakages and injections in the economy. From the point of view of global intercity competition, special

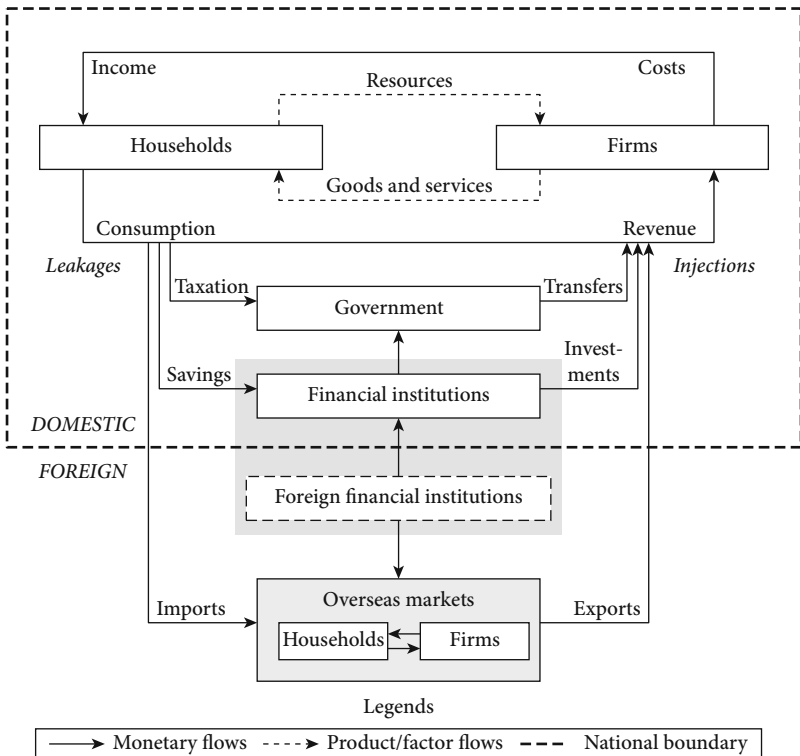


FIGURE 4.1 *Modified five sector circular flow of income model*

aspects of such model relate to both the role of different sectors and their operations in different markets, those of product and factor markets. The model extends to foreign or overseas sector, which has critical role in intercity competition, as pointed out in export-base theory (Markusen & Schrock, 2006; Ha & Swales, 2010). It is particularly relevant in analysing impacts of leakages and efficiencies of injections, especially concerning how the government spends taxpayers' money and how successfully it is able to promote export.

As another framework for analysing economic flows, we may mention *T-account* analyses, which can be made more detailed than circular flow diagrams. They include a two-sided table that matches sources of funds with their uses, i.e. credit and debit (BEA, 2007). It is close to the national account systems (NAS) that measure the economic activity of a nation. The most widely discussed form of national income and product accounts is one of their principle aggregates, *gross domestic product* (GDP), produced by virtually every country in the world (Landefeld et al., 2008). Such account systems can be applied to local and regional level as well provided relevant data is available. Thus, just like GDP at national level, Gross Regional Product, Gross Metropolitan Product or Gross Urban Product provides data of the market value of all final goods and services produced within the given area (e.g. BEA, 2014; L'Esperance, 1980).

## Industrial value flows

Industry and cluster classifications provide an aggregated view of economic flows. They are thus not about the morphology – the processes and channels of flows – as such but about the composition and quantities of flows, which is actually extremely important view in terms of local economic development policy. Such classifications form a basis for rational consideration for local industrial policy and serve as a heuristic device for target-cluster identification, which permits urban governments to allocate scarce resources to support the retention or expansion of a small group of key industries (Kelton et al., 2008; see e.g. Western Economic Diversification Canada, 2011). The data for such a classification can be collected from *industrial classification systems*, such as ISIC (United Nations), NAICS (North America) and NACE (EU) (see e.g. NAICS at <http://www.census.gov/eos/www/naics/> and NACE Rev. 2 at <http://ec.europa.eu/eurostat/statistics-explained/index.php/>

Business\_economy\_by\_sector\_-\_NACE\_Rev.2). A complementary overview of industries can be produced on the basis of cluster identification, that is, by identifying inter-industry connections and aggregating them into a list of local industrial clusters (Kelton et al., 2008; Anttiroiko, 2014a).

There has been a tendency to pay special attention to the *knowledge-producing sector* and its linkages with other sectors. This has resulted in technology and innovation-related classifications, such as the OECD's division between high-tech, medium-tech and low-tech industries, which, however, are generally overtly simplistic. Pol and his co-authors (2002) have tried to refine this view by introducing a typology of economic sectors based on the enabling linkages principle, focussing on *novel products* rather than non-material knowledge-producing entities. Another line of thinking has led to new classifications, highlighting the importance of producer services as well as education, healthcare and consumer services (Noyelle & Stanback, 1983). More recently, new categorisations have emerged emphasising the need to pay attention to industries and clusters simultaneously with the development of occupational structures (Beyers, 2010, 531–532). A widely discussed contribution in this field was the introduction of creative class as an occupational group of college-educated people working in professional, managerial, technical and creative occupations, as presented by Florida (2002b) (on Florida's occupational categories, see also Markusen, 2006).

## Financial capital, trade and material flows

Beside the generic analyses of flows referred to above, there are special forms of economic flows that have been on the economic development agenda for a long time. These include *international trade* and *exports* in particular, *financial flows* and *foreign direct investments* (FDIs). Their importance has to some extent historically phased emergence, starting from imperialism and the related expansion of international trade in the late 19th century, continuing with the role of FDIs in boosting economic growth accompanied by the rise of American multinational corporations (MNCs) in the first half of the 20th century and, more recently, culminating in the pervasive financialisation of the economy (Skott & Ryoo, 2008).

Financial flows are one of the most widely discussed themes of the flow economies. Such literature has focussed on both global financial flows and the role of established global financial centres in the West and emerging centres of the East, as well as FDIs especially in developing country context. More recently, probably the most widely discussed topic has touched upon causes and consequences of financial crisis (see e.g. Laulajainen, 2003; Singh, 2000; Bende-Nabende, 2003; OECD, 2001; Moran et al., 2005; Dabla-Norris et al., 2010).

Every progressive local economy is hungry for capital and investments, yet propensity of capital formation varies considerably between countries and macro-regions. A banking system is needed to allocate the surpluses between deficit regions (Laulajainen, 2003, 45). The category of *capital* is broad as such, including grants, loans (bank loans and bonds) and equity stakes with control (i.e. FDIs and venture capital) or without control (foreign portfolio investments, FPIs). The latter include the purchase of shares of foreign companies directly or through investments funds. This brings stock exchanges into the picture, those temples of capitalism that help companies to raise capital for their operations. They serve primary and secondary capital markets at national and international levels, making them as loci of capital flows *par excellence*.

Equity stake with control is different. Its basic form is FDI, which is made to acquire lasting management interest (usually at least 10% of voting stock) in an enterprise operating in a country other than that of the investor, thus usually regarded as the most stable form of capital inflow (Williamson, 2005). What is essential in this concept is its connection with corporate power and control, i.e. one enterprise has a degree of control over a branch or enterprise in another country. Such investments have for some time been increasingly concentrated in the hands of large multinational corporations (MNCs) (Jones & Wren, 2006, 8–9). The standard explanation of the dynamics of FDI is that they flow from capital-rich economies to capital-poor economies in the pursuit of higher rates of return to capital (Dabla-Norris et al., 2010). It reflects investors' belief in the market of the recipient region, competitive cost level, high quality of human capital, entrepreneurial atmosphere or economic and regulatory conditions (Piana, 2005). From the recipients' point of view, FDI contributes to the better utilisation of local economic potential primarily by channelling resources to production. It serves as a means of technology transfer especially through MNCs, which generally contributes to the productivity growth in the recipient country

(e.g. Head & Ries, 1996). It also contributes to skill acquisition, competition and exports and has considerable multiplier effect (Moran et al., 2005; Dabla-Norris et al., 2010). In the best possible case, such investments provide a fast tract to industrialisation and increase connections with the global economy. Thus, FDIs are generally seen to have positive impact on local growth (Ozturk, 2007), even though empirical evidence is surprisingly inconclusive in this respect (Dabla-Norris et al., 2010, 13). The latter implies more than anything that recipient country's capacity to take advantage of FDI externalities vary, depending on such factors as development stage of financial sector, features of institutional environment, sectoral composition of inflows, trade openness, capital endowments and macroeconomic policies (Dabla-Norris et al., 2010, 14–15).

*Flows of goods and materials* form a category of their own. They are in essence freight flows (Hall & Hesse, 2013). There are also transportation mode-specific analyses of such flows, most notably air and sea flows (Ducruet et al., 2011; Ducruet et al., 2012). A special branch of material flow analysis is devoted to the analysis of material inputs, consumption, domestic outputs, and trade. They form a subcategory of *material flow analysis* (MFA) or similar methods, such as Input-Output Analysis, Life Cycle Assessment or Material-Product Chain Analysis. Such interest is frequently directed toward the increase in the efficiency of resource utilisation, hence, the connection with the pursuit of sustainable development (e.g. Lee, 2008; Hammer & Hubacek, 2003). Such a perspective brings an important additional element into the picture, with a perspective on waste flows to be disposed of, recycled or reused in the economy or, as is often the case, causing environmental pollution (Mannaerts, 2000). This is an essential element of the previously discussed analysis of city as a dissipative structure (see Chapter 2).

## Interregional flow analysis

Probably the most sophisticated approach to urban-regional economic flows to date are flow analyses developed in regional science, which is able to present fairly coherent view of flows of goods, money and wealth. This research tradition has also developed a wide range of other methods and models that benefit the analysis of flows, such as regional cycle and multiplier analysis, industrial location theory, interregional input-output techniques, industrial complex analysis, gravity models

and even attempts to synthesise such analyses. Its foundation was laid by an American economist Walter Isard (1962).

In the interest of providing an analytical picture of interregional connections, such as the flows of goods, money and wealth between regions, Isard (1962) developed as a kind of rudimentary analytical technique an *interregional flow analysis*, which looks at both outward and inward. The connection between the internal structure of the region and interregional system is given considerable attention in his methodological endeavour. The primary forms of analysis are: (a) commodity flow studies, which focus on region's ability to avail itself of advantages of other regions through imports and compete with these other regions in the disposal of its products in several regional markets, (b) money flow studies are needed as a common denominator for the exchange of goods and transfer of assets and (c) balance of payments studies are needed to assess the financial position of regions and their general economic health. Such analyses would be basically enough to provide fairly detailed view of region's financial relationships with other regions. The picture provided by flow analysis can be deepened and substantiated through interdependency frameworks, such as industrial complex approach, interregional activity analysis and input-output analysis. The latter is able to outline the production and distribution characteristics of industries of different regions and their interrelationships, thus providing a picture of an inter-industry system (Isard, 1962).

Flow studies are primarily descriptive, even if they can be useful in generating and testing hypotheses and models. They can record historical changes but do not give evidence of the causes of such changes. Nor can they tell much about the future changes in urban-regional economy. This implies that flow analyses must be accompanied by a range of hypothesis, models and theories in order to be able to estimate future markets or identify industrial development potentials (Isard, 1962, 144). This is actually why the typology of flows must be accompanied by the description of the dynamism associated with each type of flows.

## New geography of economic flows

Globalization and World Cities (GaWC) research network was founded by Professor Peter J. Taylor of the Geography Department at Loughborough University in 1998. Since then, the network has conducted research into



the external relations of world cities. It focusses on the relations between cities, which had been neglected in world cities researchers at that time (on GaWC, see <http://www.lboro.ac.uk/gawc/>). Taylor has contributed to the specification of the *world city network* as an interlocking network model with leading business service firms as the network makers, with an aim to providing conceptual clarification and empirical evaluations concerning changes in such network (see Taylor et al., 2011).

Research conducted within GaWC is primarily focussed on networks and world cities relations with each other, which builds a picture that is slightly different from genuine flow analysis. Its paradigmatic approach is exemplified by rankings of producer service firms, as presented in one of the pioneering analyses of global city networks by Beaverstock and others (1999). Yet as GaWC is a global network that explores this field beyond city network analysis, it has produced various analyses on flows as well.

While commenting on the discussion about Birmingham's boosterist strategies, Hubbard (2001) identifies the need to acknowledge the realities of city politics in a global space of flows. He argues that radical urban politics requires a conceptualisation of the city that moves beyond 'local' and 'global' to consider the *politics of flow*. Doel and Hubbard (2002) draw on post-structural ideas to challenge the place-based perspective and to provide a relational, networked perspective as an alternative, reconceptualising urban success as resulting from the ability to attend to an ever-changing global space of flows. Successful city marketing must rely on pursuing a spatialised politics of flow rather than a place-based politics of competition.

Similarly, Halbert and Rutherford (2010) have argued that we need to move beyond relational urban conceptualisations by sketching a view of cities as dynamic and unstable *flow-places* in which the respective qualities of flows and places cannot be meaningfully disarticulated. They do not see space of places diametrically opposite to the space of flows, but emphasise rather that as flows have a start and an end point, they are meaningful only if and when they become '(re)territorialised' at their end points. They introduced the notion of 'commutation' to capture the idea of cities as a *communicational nexus* in which multiple actors perform, manage, undergo and contest a variety of socio-technical operations that interconnect flows and places. These studies are examples of research within GaWC network which explicitly discusses flows and reconceptualises urban politics and policy to cope with the challenge of space of flows.

# 5

## Flow Analysis in Urban Management

**Abstract:** *In this chapter, an economic flow analysis is built to concretise the picture of a city as an economic dissipative structure with in and out flows of consumption and production. Discussion is divided into three themes according to Attractors-Flows-Dynamics scheme: attraction factors, economic flows and dynamics of specific flows. As the types of flows are numerous and each have a dynamic of its own, this section discusses only selected types of flows as representative examples of the variety of economic flow dynamics. They are grouped into two broad categories, flows of business and people. Such flow analysis can be used by urban governments in managing their economic processes and directing development efforts to actions that maximise their benefits in the increasingly fluid economic environment.*

**Keywords:** attraction factors; business tourism; creative class; dynamics of flows; economic flows; FDI; location decision; students; talent; tourism; value flows; visitor

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Open local economies are dissipative structures that breathe through flows. In order to understand such an economic reality and to utilise it in local economic development policy, there is a need to make sense of such flows. To track the flows, their volumes and qualities, is a natural point of departure, even though it is not as easy a task as one might assume. A comprehensive yet, at the same time, strategically selective breakdown of flows on the basis of both general societal activities and the economically relevant sector, industry and cluster classifications is called for. In this chapter, the economic category analysis is based on three-fold Attractors-Flows-Dynamics scheme which focusses on the following fundamental elements: (a) attraction factors, (b) the typology of economic flows and (c) related dynamics associated with various industries and client groups.

## Attraction factors

The incitement to be used to catch values from the space of flows can be called *attraction factors*, referring to assets, institutions, people or symbols that attract various flows to a locality. Factors associated with *production* include two major categories: (a) classic *hard factors of production*, such as natural resources, labour and capital, including technology and (b) historically more recently conceived *soft factors of production*, such as human capital and entrepreneurship. These soft factors have also been associated with such non-tangible forms of capital as knowledge, know-how, intellectual property, creativity and social capital (Anttiroiko, 2014a).

Concerning urban attraction, the other side of economy to be taken into account is *consumption*. The two main *consumption-related* sets of attraction factors are, first, *factors of consumption by business* or intermediate consumption such as innovation milieu, business services, trade fairs, and logistics, which are closely related to production and especially to the building of production capability and competitiveness, and second, *factors of consumption by consumers* manifest in shopping, fashion, sports, cultural events and tourism (Anttiroiko, 2014a).

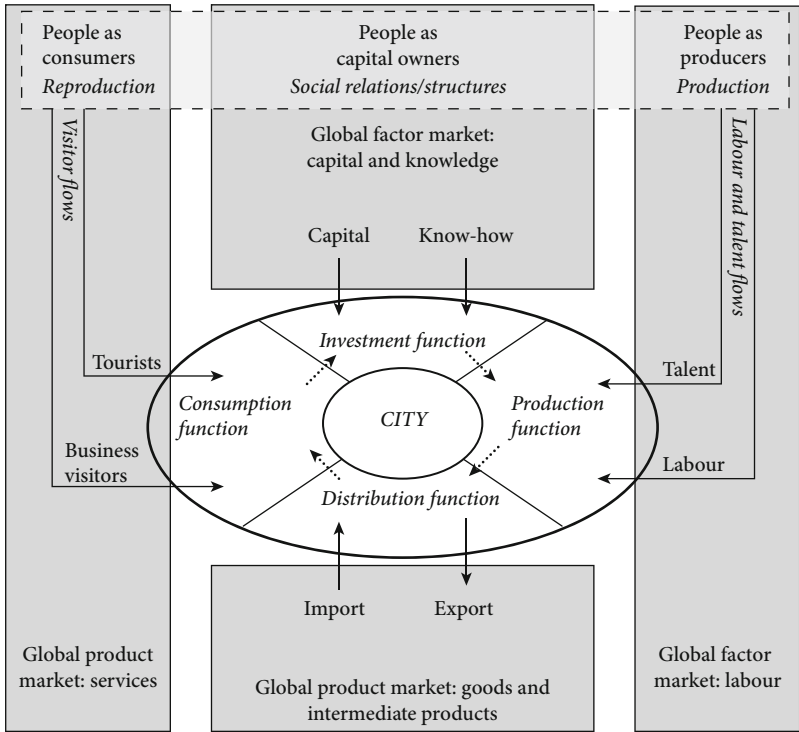
Factors of *production* may simultaneously be factors of attraction. This is because both the capability to attract external resources and to produce goods and services for global markets depends to a large extent on the quantity and quality of the factors of production. Such factors are

by definition inputs to production processes and thus essential elements to be taken into account in attraction-oriented local economic development policy. It is equally important to recognise the role of *consumption* as an indirect production input, for consumption and community assets have a potential to increase the attractiveness of the community, which may contribute to the improvement in productivity and innovativeness. Such factors also provide impetus to exports and enhance the overall competitiveness of the community. It is noteworthy that in a reflexive economy consumers become involved in various ways in the sphere of production (cf. Lash & Urry, 1994), for many of the attraction factors are results of co-production, or rather, desynchronised asymmetric 'dual production' in the sense that the large-scale urban consumption brings with it cultural and symbolic values that go beyond narrowly defined, functional production-consumption processes and creates a kind of augmented economic reality that indirectly affects local production function.

Additional aspects of attraction factors will be elaborated when discussing asset analysis and brand-oriented attraction management.

## Types of economic flows

One of the most challenging parts of our conceptual exploration is to identify the relevant *types of economic flows*. To start with, it is worth stressing that the flows between hubs are difficult to identify and quantify (see e.g. Salisbury & Barnett, 1999, 35; Pain & Hall, 2008; Limtanakool et al., 2009). The previously mentioned dichotomies have some relevance in this respect. *Frictionless flows* that are generally transferable as electronic or digital flows are characteristically production factor flows (cultural flows, technology flows, capital flows, information flows), whereas *frictional flows* or physical flows are basically of three kinds: (a) freight and material flows; (b) client flows, such as tourists, conference visitors and students; and (c) productive actor flows, such as relocating firms, inflow of skilled and creative people and professionals, as well as low-skilled immigrants (cf. Kostianen, 1999). These flows make up two primary realms, both of which are expedited by technological development. Digitalisation changes symbolic, information and monetary flows, whereas improvements in mobility do the same to material and client flows (see e.g. Williams & Baláz, 2009).



**FIGURE 5.1** *Illustration of city as the integrator of different types of flows*

To make sense of the field of flows, we may consider the fundamental economic roles of people in terms of consumption and production, the classic typology of markets (factor and product markets) and the city as an economic spatio-temporal locus that combines these elements through investment, production, distribution and consumption functions. Such a robust model of the main aspects of economic flow analysis are illustrated in Figure 5.1.

Some of the typologies of flows are based on contextual analysis of flows, such as Appadurai’s (2003) five ‘flowscapes’ – people, technologies, finance, media and ideologies – as the landscape of late modernity. Yet to achieve a scheme that is relevant for local economic development policy, such a typology should be accurate and provide a synthesised approach to flows. An example of the generic typology of flows that fulfils this criterion is proposed by Williams and Balàz (2009, 679–680). It is built on four major categories related to regional development: (1) trade,

(2) labour migration, (3) capital and (4) knowledge. Similarly, in McKinsey Global Institute's report on global flows the main flow categories analysed were goods, services, finance, people and data (Manyika et al., 2014). In DHL Global Connectedness Index 2014, global connectedness of a country or macro-region was defined as their participation in international flows of trade, capital, information and people. These four pillars were further divided into following components (Ghemawat & Altman, 2014):

#### Trade

- ▶ Merchandise trade
- ▶ Services trade

#### Capital

- ▶ FDI stocks
- ▶ FDI flows
- ▶ Portfolio equity stocks
- ▶ Portfolio equity flows

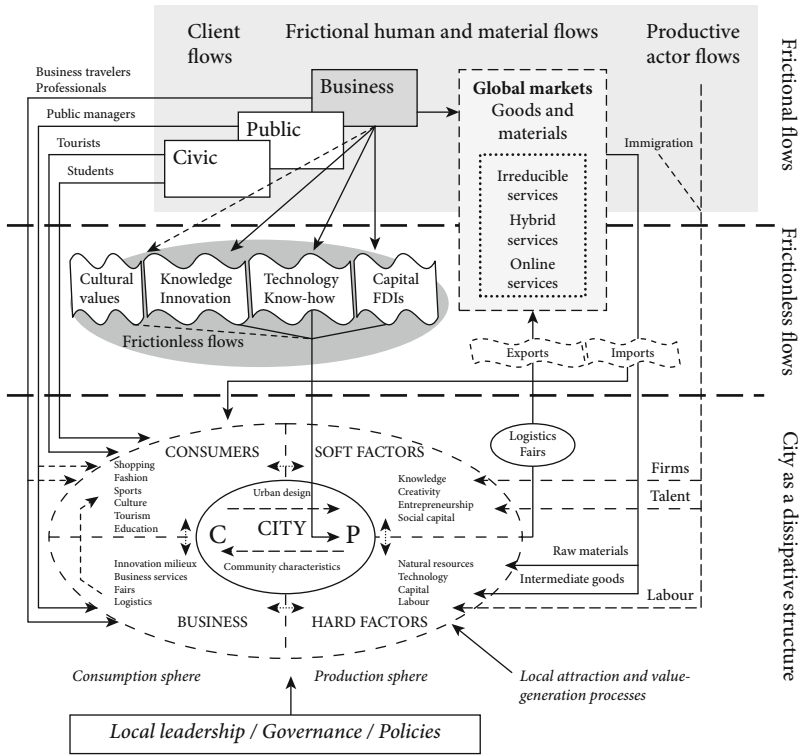
#### Information

- ▶ International Internet bandwidth
- ▶ Telephone call minutes
- ▶ Trade in printed publications

#### People

- ▶ Migrants (foreign born population)
- ▶ Tourists (departures and arrivals)
- ▶ International students

These form a good starting point for identifying different flows that have a critical role in local economic development. Yet they show also clearly the differences in the clarity and availability of relevant data. As a rule, any flow that can be expressed in units, such as money or number of items or people, are fairly easy to define, even if the availability of data may be occasionally a problem. Yet categories like information or knowledge are obviously difficult to operationalise not to speak of the difficulty of obtaining relevant data. The problem in the latter case concerns both ambiguity and uncertainty (Daft & Lengel, 1986). This explains the use of surrogate data, which is not always particularly accurate. To illustrate the complexity of this setting, let us combine various flows in a rudimentary model, presented in Figure 5.2.



**FIGURE 5.2** *Illustration of economic flow analysis*

Source: Adopted from Anttiroiko (2014d).

## Dynamics of economic flows

Concerning the *dynamics of flows*, we must drill deeper into specific flows, such as location decisions of firms, determinants of FDI, creation of innovation networks, preferences of creative people, internationalisation of higher education and consumer behaviour in tourism. The idea in this section is to illustrate how the big picture of flows can be broken down into special attraction instances each having their unique features.

The dynamics of economic flows have a logical connection with *industry-specific perspective*. It translates into the design of a city’s economic profile, which is one of the most important strategic issues in local economic development policy. In practice, this requires that the

city is able to identify some target industries or clusters and determine the direction of its economic specialisation (for a more detailed account, see Anttiroiko, 2014a). When feasible, such a big agenda can be divided into manageable and locally prioritised subsidiary agendas. For instance, rather than starting to chase global flows, a metropolitan government may start from identifying important regions in the neighbouring countries and then focus on selected cross-border transactions (see e.g. Laakso et al., 2013; cf. Katz & Bradley, 2013). In a globalised world trade routes, cultural connections and involvement in the same economic clusters are more decisive factors in cross-border relations than actual distances.

The discussion about the dynamics of flows is divided into two parts, production factor flows and visitor flows.

## Dynamics of entrepreneurial flows

This section discusses the dynamics of production factor, business or entrepreneurial flows, the terminological choice depending on what aspects of this flow category one wants to emphasise. Firms' location decisions, foreign direct investments and knowledge and innovation are used as examples.

### *Firms' location decisions*

Firms' location decisions are at the very heart of the attraction-based intercity competition. Location theory has been developed in three analytical traditions: regional science and urban economics, the fusion of economic geography and the business and management theory and trade theory (McCann, 2009). These streams of research have generated both theoretical and empirical research, the latter focussing traditionally on cost factors. The fundamental question is where goods and services are produced and why and to what kind of areas firms relocate their activities. Cities attempting to attract new businesses into their areas need to consider the factors that are important to companies planning to relocate or open up new branches. Understanding of location decision increased dramatically after the World War II, most notably regarding manufacturing companies, which is natural as that was still the time of industrialisation in most of the Western countries. In *manufacturing*, reasons for firms to seek manufacturing opportunities from abroad are primarily three kinds: (1) Access to low-cost input factors which refers



to labour, materials, capital and components in order to maximise profitability on manufacturing costs; (2) Access to local technological resources; and (3) Proximity to markets, which results in faster and better customer service (MacCarthy & Atthirawong, 2001; Atthirawong & MacCarthy, 2000; Meijboom & Vos, 1997). For example, in his survey of manufacturing companies which decided to build or expand plants in the south-eastern USA, Hekman (1982) found out that the most important factors that affected their decisions were industrial climate, labour productivity, transport, land availability and room for expansion and cost of land and construction. Later, Karakaya and Canel (1998) conducted a study of 84 firms in New England states and New York and concluded that the important factors in influencing business site selection decisions were the following:

- 1 Availability of skilled labour
- 2 Transportation facilities
- 3 State tax rates
- 4 State regulatory environment
- 5 Real estate tax rate
- 6 Proximity to major highways/seaports
- 7 Proximity to major US airports
- 8 Cost of utilities
- 9 Construction prices
- 10 Availability of local airport.

Local developers' interest goes deeper than just generic knowledge of site selection. One step further is to consider differences between industry sectors. Karakaya and Canel (1998) analysed site selection in five industries, high-tech manufacturing, banking, insurance, retail businesses and consultants. Indicatively, *high-tech firms* perceived availability of skilled labour as the most important factor influencing site selection, followed by regulatory environment and transportation. In the same vein, informants in *advanced business services*, in this case banking and insurance, view the availability of skilled labour as the most important factor that affects their location decisions. *Retail businesses* are most deeply affected by land prices and construction costs, whereas *consultants* tend to consider the proximity of a prospective business location to both major US airports and a local airport. This gives a hint of principal differences in location decisions industry-wise, which are vital for urban attraction management.

A special interest industry-wise can be placed to both high-tech and advanced services due to their importance to post-industrial cities. *High technology firms'* locations are determined by the sector's general dependence on the availability of professional and technical expertise and the general ambience. Yet even if in high-tech field skilled labour is a major concern, there are differences in terms of competitive strategies of the firms. The firms competing with 'differentiation' strategy tend to look for technical and ambience advantages in a location while firms competing with a 'cost' strategy consider input factors more important (Karakaya & Canel, 1998; De Noble & Galbraith, 1992; Garnsey & Longhi, 2004).

In his survey of 363 high technology establishments in one of the leading high-tech regions in the US, **the State of Washington**, Haug (1991) provides evidence to the claim that Washington's high-tech industry has been primarily locally grown and attracted to the state by founder preferences, quality of life features and labour agglomeration factors. Findings even reveal that state government agencies and programmes have had no significant effect on establishment location and investment activities (Haug, 1991).

Wheeler and Mody (1992) came to same conclusion in their research on manufacturing investments by U.S. multinationals. They found out that agglomeration economies were the dominant influence on investor calculations, whereas short-run incentives have limited impact on location choice. This provides some evidence in favour of cluster policy over incentive-intensive policies. Wheeler and Mody (1992) concluded that high-cost 'tournament play' is unnecessary for countries with good infrastructure development, specialised input suppliers and an expanding domestic market.

There is yet another case worth mentioning, which affected the previously mentioned Washington State more than a decade ago in 2001. Namely, the relocation of Seattle-based Boeing International Headquarters, which meant that some 500 high-profile jobs moved away from the city. That decision was a result of a competition between three preselected candidate cities: Chicago, Denver and Dallas. The company's CEO Philip M. Condit said at that time that he envisioned a leaner headquarters that would give Boeing greater 'flexibility to move capital and talent to the opportunities that maximize shareholder value'. (*The New York Times*, 2001). The welcome

gift from Chicago, who won the race, was a tax incentive package worth tens of millions of US dollars; yet in return, it got not only jobs, but mostly high-salary jobs, a small step higher in the ladder of global urban hierarchy and increase in its collective symbolic capital (cf. Anttiroiko, 2014a, 68).

An important aspect of post-industrial condition in the attraction game is the special role of *service firms*. Schmenner (1994), in his research on location decisions of service firms from five states of the American Midwest, conceptualised location decision as a two-stage process: a *general* area or location decision followed by a *particular* site decision. Concerning the ‘general area’, which can vary from locality to a region depending on how locally or regionally oriented each firm is, the most important influences are good infrastructure, proximity to customers, and the ability to attract qualified labour. When considering a ‘particular site’, the most important influences are parking, an attractive building, an attractive cost or rent and the ability to meet specialised space needs. Industry-specific differences can be seen in these two criteria, for hospitals, utilities and construction were largely immune to location influences while more wholesale- and retail-oriented services were more sensitive to such influences (Schmenner, 1994).

Globalisation discourse and especially the greater role of multinational companies in economic life and in media may give a ‘footloose’ overall impression of companies. As expressed by Hermenlin and others (2011), ‘The globalization of organizations is not ‘frictionless enterprise’. Quite the contrary; there are numerous challenges that firms must overcome to manage their international interactions and networks’. It is also worth reminding that local and global are closely intertwined, even to the extent that ‘global’ competitiveness often depends on highly concentrated ‘local’ knowledge, capabilities and common tacit codes of behaviour which can be found in geographical concentrations of firms (Jovanovic, 2006).

Labour costs have been and will be important criteria in location decision, but it is far from being the only or even most important criteria in all situations. We just have to consider such matters as proximity to target markets, workers’ skills and productivity levels, taxes, transportation infrastructure and costs, government regulations and incentives, regional supplier capabilities, currency exchange rates and political stability, to realise the complexity of the aspects that may have vital impact on the decision-making process as well as the outcome of the

locational choice. This is why the standard picture of post-industrial turn must be seen in its historical context as a trend that has its countertrends. It is also important to consider the overall impact of internationalisation, crystallised in the case of location determinants of FDIs (Assunção et al., 2011) and internationalisation of service industries (Cuadrado-Roura et al., 2002). Concerning the former, the case in point is USA, for large part of its manufacturing outbound FDI went to high-cost countries like Canada, Europe, Japan, Australia and New Zealand (61% in 2010). For the same reason, the USA, with the 14th highest hourly manufacturing compensation costs, remains the top destination of the world's FDI. But in the global economy, the pace of change is fast and may also appear to affect profoundly the global urban hierarchy. The micro-processes that have an impact on manufacturer's investment decisions may generate surprises, their sources being (Manzella, 2012):

- ▶ innovations and new technologies that boost productivity and reduce the labour component,
- ▶ rising labour costs in emerging markets,
- ▶ projected increases in the cost of fuel and long-distance supply chain functions,
- ▶ shifting demographics based on the desire to locate near fast-growing markets and
- ▶ the emerging skills shortage.

Many of these trends and factors impact one another and add a degree of complexity in the economic life. The flows of firms, investments and entrepreneurship have been, in earlier decades, and are still vital for cities' competitiveness as well as for their actual ability to benefit from the values moving in the space of flows. The dynamic changes in industry-specific location patterns, the multi-dimensionality of location decisions and the intensifying intercity competition keep this aspect of urban management challenging.

### *FDI flows*

Foreign direct investments (FDIs) refer to capital owners' investments in foreign enterprises, of which large part is made by multinational corporations (MNCs). The key questions from the point of view of management of flows are: what makes investors invest in different locations and what can localities do to increase their attractiveness in this respect. A

paradigmatic form of FDI is a manufacturing plant using foreign capital, technology and management techniques to exploit low-cost local resources and to sell to regional or global markets. There are, however, also market and demand oriented FDIs in such areas as tourism, transport and banking (Piana, 2005; see also Ozturk, 2007; Narula & Lall, 2006). The following five areas depict major reasons for investors to come to the locality, or in other words, to assume that there are chances to profit from the investment (Piana, 2005):

- 1 Large GDP and market potential
- 2 High human or knowledge capital
- 3 Low-cost levels: labour, taxation, light-touch regulation
- 4 High tariff protection
- 5 Entrepreneurial public sector: legislation, incentives, place marketing.

Policies designed to attract FDIs are conditioned by local conditions and the destination's position in a competitive field of a given industry. Even if the direction of FDI flows goes naturally toward low-cost destinations and expanding markets, advanced post-industrial cities receive FDIs too. Cities in developed countries have opportunities to benefit from their high level of human and intellectual capital, business climate, strong clusters, high technology and sufficient infrastructure (e.g. Potter et al., 2002). Every city benefits from a regional or metropolitan FDI strategy, which reviews the overall conditions and development efforts of the area against the FDI trends generally and industry-wise, narrows and smartens up FDI promotion into manageable set of activities, and designs a sufficient governance structure – including investment agencies, partnerships and governance networks – that supports the realisation of FDI attraction strategy (Potter, 2002). Such efforts must be embedded locally, which implies that the support to investment attraction should be extended beyond the narrowly defined economic development policy in order to invest in human capital through educational institutions, design welfare services to support FDI strategy, establish dedicated sites – suburban industrial parks, urban knowledge parks, service clusters and creative quarters – to serve attraction industries and amenities that attract creative class (Florida, 2003). In general, the challenge of post-industrial cities is to embed foreign investors by involving attempts to attract higher quality investment by targeting operations that are knowledge-intensive, depend on platform or systemic innovations, have great managerial latitude and have mandates to sell products in several

countries. Enterprises that have such features are likely to have greater local spin-offs than traditional branch plant operations. Another important aspect of embedding effort is to develop programmes and platforms to better integrate foreign investors into regional networks of firms and institutions and to increase the scale of local linkages of foreign affiliates (Potter, 2002; see also Benneworth & Dassen, 2011).

The intercity competition for FDIs is fierce across and within different macro-regional contexts, starting from the North-South divide and increased role of the South-South connections (Depetris Chauvin, 2011). Their special features are also reflected in the composition of capital flows. For example, in the early 1990s, capital flows to many of the rising Asian economies were largely dominated by FDIs. By contrast, Latin America attracted comparatively little FDI. A large share of its inflows were either of a short-term or portfolio nature (Reinhart & Montiel, 1999. See also Kirabaeva & Razin, 2009).

It is noteworthy that at the sub-national level, FDIs tend to concentrate on the wealthiest and most dynamic parts of the country. This implies that the cost minimisation is not the only factor that explains their movement. Other important factors include infrastructure and logistical accessibility from abroad. In the developed country context, the special production factors may actually dominate in FDI. For example, on the basis of the analysis of US data from 1986 to 1993, it seems that knowledge base measured by patent counts is linked with the location decisions of foreign plants. It is estimated that a 1% increase in patent counts is associated with a 1.874% increase in the probability of attracting a new foreign plant (Piana, 2005; Co & List, 2004; Anttiroiko, 2014a). Recent research on FDI policy drawing from US experiences suggests that metropolitan areas emerge as critical determinants of the amount, quality and ultimate economic impact of investment into the country. FDIs are overwhelmingly attracted to metropolitan areas and the industry clusters within them. Accordingly, policymakers should recognise FDIs as inextricably bound up with industry clusters and supply chains. FDIs strengthen them with infusions of knowledge, technology and ideas and also accelerate spillovers and integrate new investors into the economy, ensuring that footloose companies put down roots. The overall message to policymakers is that instead of narrowly treating FDIs as exogenous impetus for local job creation, they should embrace FDIs as an important potential force for advancing economic development and engaging globally (Saha et al., 2014).

### *Attracting global knowledge and innovation flows*

Knowledge and information flows are essential in a globalised economy. Information circulation and availability have always been fundamental to the development of cities irrespective of their industrial composition or other features. Yet what characterises current global age is the profound impact of the new mode of development, sometimes called informationalism (Castells, 1989), which calls for new framework for urban analysis and management. Probably the most important individual factor behind information proliferation is the Internet. It started to reshape the global knowledge sphere with accelerating speed in the early 1990s, becoming integral to the globalisation of the economy, scientific research and public governance (Subramanian & Katz, 2011). Such a view can be justified by empirical observations, which show that the labour-intensive flows from low-cost manufacturing nations and commodity-intensive flows from resource-rich economies that used to be dominant flow categories in the past have been surpassed by *knowledge-intensive flows*, which account today for some half of the value of global flows (Manyika et al., 2014, 2). ‘Knowledge-intensive’ is a relative term, of course. In the statistics referred to above, it includes goods and services that require high R&D input or utilise highly skilled labour, such as high-tech products, advanced business services, FDIs and payments for royalties and patents, business traveller spending and cross-border telecom revenues from businesses.

Before elaborating this topic further, let us return to some basic questions about knowledge. *Knowledge* is a fundamental factor in all our orientation and action processes (on philosophical discussion on knowledge, see e.g. Dretske, 1999; Pérez-Montoro, 2007). We need knowledge to cope with the requirements of modern society, but we need to acquire knowledge also for various specific purposes in work, business and other areas of life. In an ideal knowledge process, data is gathered and processed, then it is selectively enriched, specified and interpreted, thereby transformed into information, and finally this information is combined in a creative and synthesising process that brings out new organisational knowledge. But the fundamental question remains: knowledge for what? Theoretically, knowledge is needed to reduce uncertainty on the one hand or to reduce equivocality or ambiguity, on the other (Daft & Lengel, 1986, 554–557). This conceptualisation is based on the view of an agent who is supposed to apply knowledge in a way or another. The

perspective changes, however, when we think of knowledge as an object, commodity or asset, as something that can be transferred and that can form flows. Often the category of knowledge is also associated with capabilities that relate to creativity, innovativeness and entrepreneurship, which presuppose a human component in the process in which such a capability is realised. This discussion, even if short, reveals how diffuse and context-sensitive issue knowledge is.

In economic life, knowledge is used to generate value. Our economic life is based on an informational mode of development, in which the creation of wealth is based on knowledge that is used to generate new knowledge (Castells, 1989). In the global informational economy, success of territorial communities depends largely on their ability to connect globally, to utilise global knowledge networks and to harness the information and knowledge assets. At the community level, it requires community informatics (Marshall et al., 2004), and at the organisational level, knowledge management (Davenport et al., 1998; Jarboe, 2001). In the latter case, attention is paid to concrete aspects of organisational knowledge assets and processes, including knowledge management (KM) and knowledge sharing and communications in economic development (Dalkir, 2011; Jarboe, 2001; Servaes, 2008), which in turn includes various aspects of knowledge flows and processes from global knowledge and innovation networks (Komninos, 2009; Archibugi & Iammarino, 2002) and channels and types of international flow of information (Mowlana, 1985) to community informatics and even inner city micro messaging, such as the use of urban bike messengers (e.g. Kidder, 2011).

If we look at the issue of the globalisation of knowledge processes at the level of *corporations*, it becomes evident that in increasingly hyper-competitive global marketplace it is pivotal for enterprises to manage not only tangible resources but also to exploit intangibles. A consequent outcome of this observation has been the surge of interest in KM, which is, however, much more than managing the flow of information. KM perspective has traditionally been focussed on knowledge repositories, access issues, knowledge environment and asset management (Davenport et al., 1998). However, Davenport and many of his contemporaries in the 1990s were not primarily concerned with understanding knowledge management intricacies in a global context, as pointed out by Desouza and Evaristo (2003). This implies thinking less along the lines of knowledge management and more of something like *knowledge partnering* (Allee, 1997). Organisations must master the act of integrating



disparate sources of knowledge found within their bounds in order to sustain and maintain competitive advantage. It is no wonder why managers struggle with devising strategies for managing and integrating knowledge leading to generating of innovations and intellectual capital (Desouza & Evaristo, 2003).

In the current knowledge-intensive condition, production-related knowledge processes focus neither physical resources nor production processes themselves but knowledge and especially new knowledge that has potential to create economic value. The creation and exchange of highly specialised information has become vital for the success of metropolitan cities. Mitchelson and Wheeler (1994) examined the production and exchange of higher-order information that occurs among and between American cities and reveal how globalisation affected the position of these cities in the system of information exchange. An analysis of 1990 flow data provided by Federal Express Corporation (FedEx), which is a global courier delivery services company, measured flows among 47 major US centres and selected foreign places. It revealed a three-tiered hierarchical system, with New York at the top. The role of population size was paramount while the distance parameter was relatively weak. Command and control and related producer services continued to concentrate in certain cities throughout the 1980s and to strengthen the hierarchical structure based on information flows. The largest volume of international flows was destined for Europe (Brussels and London), Canada and Asia (Hong Kong and Tokyo), with New York as a global leader accounting for 36% of all international origins (Mitchelson & Wheeler, 1994).

Global knowledge processes are more than anything about *innovation*. Increased innovation intensiveness as the source of competitiveness of corporations together with emerging network logic have brought about new kinds of innovation networks, which started to proliferate in the 1980s and 1990s (Freeman, 1991). The internationalisation and transnationalisation of corporate R&D was at that time primarily a result of the systematic building of global innovation networks by MNCs, which seemed to follow the increase of foreign production that saw the light of day much earlier (Sachwald, 2008). Global innovation networks (GINs) are the organisational form of global innovation ecosystem, which can be defined as globally organised networks of interconnected and integrated functions and operations by firms and other relevant organisations engaged in the development or diffusion of innovations

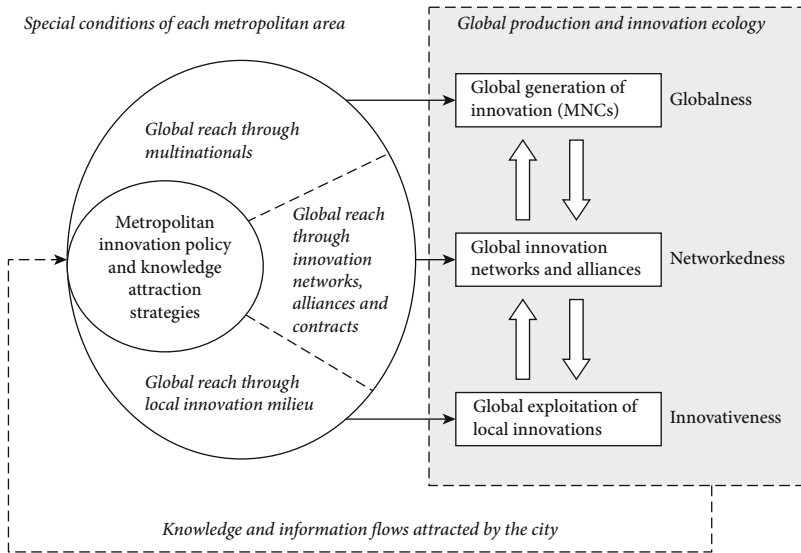


FIGURE 5.3 Aspects of global innovation networking

(Chaminade, 2009; Plechero & Chaminade, 2010; Komninou, 2009). The globalisation of innovation has varying forms, such as genuinely global generation of innovations, global techno-scientific collaborations and international exploitation of nationally produced innovations (Archibugi & Iammarino, 2002). Metropolitan governments' attempts to facilitate local actors' connections with GINs is illustrated in Figure 5.3.

Archibugi and Iammarino (1999) suggest that public policies play a different role in each of the three processes of the globalisation of innovation. In addition, they emphasise that none of the three above categories in their typology, which are not mutually exclusive, renders public policy obsolete. The first major type of globalisation of innovation is a genuine outcome of globalisation, *global generation of innovations*, which has primarily taken place within MNCs and venture business under unified hierarchical control. For example, for Intel, a company in which approximately one-fifth of staff are dedicated to R&D, overseas units have been a vital source of innovation for decades (Economist Intelligence Unit, 2007). It is generally held that innovation activities should be globalised because it affects positively innovation capability and thus improves long-term competitiveness, especially in the case of MNCs. There is even empirical evidence to claim that firms with international R&D

activities show stronger marginal effects for their likelihood to have product, market and firm novelties (Archibugi & Iammarino, 2002). The second category includes *strategic alliances and collaborative arrangements* designed to ‘internationalise’ innovation activities, which may be formal or informal. This is the major strategic option for innovation networking for most of the cities. Third, in the context of post-industrial cities, the emphasis in the internationalisation of business has shifted from cost-oriented export promotion to innovation-oriented export, thus providing rationale for the creation of *innovation milieux and local platforms* as ‘launch pads’ for innovation-driven exporting. This is a strategy option applied by cities all over the developed world.

## Dynamics of flows of people

Let us next discuss some examples of flows of people, which have different logic or dynamics than the factors of production discussed earlier. Such human flows can be grouped into two primary categories: short-term visitor flows (tourists) and longer-term student, worker and inhabitant flows.

### *Attracting creative class*

The first wave of creative city development that emerged in the late 1980s and 1990s focussed on investing in cultural facilities and support programmes aimed at boosting creative and cultural industries, largely influenced by cluster approach (Palmer, 2000; Comunian, 2011). What is essential in this turn is that culture as a public good made way to commercialisation of creativity (Cooke & Lazzeretti, 2008). The trend led to a proliferation of views of spatially defined cultural developments, including hard conditions theory or culture-related location theory (Musterd & Murie, 2010), agglomeration models for consumption destination clusters (Evans, 2009), creative community planning (Landry, 2008), creative urban centres (Florida, 2002a) and contextual or macro-level theories (Scott, 2006; 2007; Flew, 2010). The discussion culminated in two dominant scripts for the explanation of the growth associated with creative cities (Flew, 2010): (a) *Cluster script*, relying on agglomeration effect on different scales, from creative quarters to clusters of creative industries (Porter, 2000; Mommaas, 2004; Evans, 2009); and (b) *Creativity script*, relying on creative people and their social environments as expressed in theorisation on creative class, creative capital and creative milieu (Florida, 2002b; 2003; Landry, 2008).

Creative city is one of the most widely discussed approaches to urban development in the last two decades. It was influenced by a range of insightful ideas, including Jane Jacobs' (1961) emphasis of the internal diversity of cities, Daniel Bell's (1973) analysis of post-industrial society and the role of Peter Drucker's (1959; 1969) 'knowledge workers' and Robert Reich's (1992) 'symbol analysts' in the economy (Atkinson & Easthope, 2009). One of the most important theories that affected profoundly the entire creative city agenda was formulated by Richard Florida (2002b; 2003) in the early 2000s with a focus on diversity and creativity as key drivers of innovation and economic growth. His theorisation revolved around creative class, which aimed at advancing from cluster thinking and social and human capital theories to better understanding of (a) how creative people boost economic growth and of (b) the underlying factors that shape their location decisions, which affect indirectly also firms' location decisions in creative industries (Florida, 2003). Florida's focus is on the occupational group which he calls 'creative class'. It consists of a super-creative core (scientists, artists, architects etc.) and creative professionals working in knowledge-based occupations in high-tech, advanced services and managerial positions, which together comprise some one-third to two-fifths of workforce in advanced countries (on the problem of using such internally incoherent occupational group, see Markusen, 2006). Florida's (2003, 8–9) creative class thesis includes following assumptions:

- ▶ The creative class is moving away from traditional industrial, working class locations to 'creative centres'.
- ▶ Creative centres are the economic winners of our age due to innovativeness and overall vitality.
- ▶ Creative centres are thriving because creative people want to live there; companies follow such people or are established by them.
- ▶ Creatives are not attracted by physical attractions but abundant high-quality experiences, openness to diversity of all kinds, and opportunity to express themselves and validate their identities as people who appreciate arts, cultural richness and tolerance.

Florida's (2002a; 2003) crystallisation of his idea of new economic geography of creativity includes three elements referred to as 3Ts, i.e. technology, talent and tolerance. These were the elements that characterise creative centres in the American context. If Florida's assumptions hold, it implies that metropolises should make themselves attractive to creative people,

which would then boost business. One of the reasons behind the quick adoption of creative class theory in urban development in 2000s was its empirical justification, coherence and clear indication of required policy actions.

Florida's theory received global recognition accompanied by severe criticism (see e.g. Peck, 2005; Markusen, 2006; Scott, 2006; 2007; Zimmerman, 2008; Pratt, 2008; Ponzini & Rossi, 2009; Comunian, 2011; Brabazon, 2011). More than anything, this discussion has raised concerns about the inherent elitist and instrumentalist approach to urban development with a tendency to cause gentrification, dual city development and as a long-term consequence even social and spatial polarisation. Creative city emerges as growth machine that favours downtown-based property-led development (Zimmerman, 2008; 230; cf. Logan & Molotch, 1987) and, as its flipside, leads to gentrification and spatial inequalities (Atkinson & Easthope, 2009; Ponzini & Rossi, 2009). Even if critics seem to sometimes attack the straw man created by themselves, as Florida (2012) has correctly pointed out, the criticism has its point when assessed against the real life applications of creative class theory.

From the point of view of flows, creative city theorisation and creative class theory in particular have appeared to be important contribution in the field of soft conditions theorisation. It is important to keep in mind that Florida's theory is basically about nurturing the special human factor of production, which in turn affects entrepreneurship, knowledge sharing, technological development and creative thinking. In this respect, it is different from demand-driven urban development, which bases its attractiveness on major cultural or commercial attractions. The latter is known as Bilbao effect, named after the success of Guggenheim Museum in Bilbao, Spain, designed by famous architect Frank Gehry (Azua, 2006). In contrast, Florida starts to build his attraction scheme from the desires of creative class with a strong focus on urban amenities, ambience and tolerance. This is only one part of a fuzzy picture, however. Creative city attraction is based on complex attraction system, which emphasises the importance of micro interactions and networks between creative practitioners, the publicly supported cultural sector and the cultural infrastructure of the city. There is a perceived need to strike a balance between the attraction of foreign talent and long-term retention policy, which takes into account the need to develop local skills and invest in grassroots creative industries (Comunian, 2011). Such a balance would also be a way to respond to the criticism of elitism associated with

creative class theory by involving those unable to participate in the new economy (Atkinson & Easthope, 2009).

In the post-industrial cities in the West, the paradigmatic setting for creative city policy is an abandoned or underutilised urban industrial site, which needs to be put to a new use as a part of local economic restructuring process. Industrial cities losing their industries, employment opportunities, attractiveness and eventually population are in desperate need to reinstate themselves as stimulating and productive places to live, work and do business. They need to redefine or reinvent themselves to be globally competitive, which directs local developers' attention to economically and environmentally sustainable restoration of industrial, warehouse and harbour districts for commercial, research, light industrial and residential uses (Kapp & Armstrong, 2012; cf. Smith, 2007). Accordingly, old factory buildings have been changed into cultural centres or handed over to local artists, abandoned warehouses have been transformed into boutiques and restaurants, and underutilised harbour areas have been refurbished as entertainment zones. Such policy has followed different rhythms in different parts of the world, depending on the economic development stage of each national and local context, globally the most famous and characteristic cases to be found in Canada, Australia, the UK and many other European countries, the USA as well as the most advanced countries and city-states in Asia, such as Japan, South Korea, Hong Kong and Singapore. Whatever is the national context, there are a lot of uncertainties about how to attract creative people and best use their potential. In the empirical analysis of Dutch cities, for example, Marlet and van Woerkens (2005) have concluded that there was no significant positive correlation between tolerance and the share and growth of the creative class, whereas aesthetic quality of cities had strong explanatory power. Yet traditionally emphasised explanatory factors, such as job opportunities and urban amenities, remain to be the most important factors that influence the creative people's choice for a place of residence.

New York is the global city *par excellence*, 'the capital of everything'. The much discussed financial crisis, which culminated in the collapse of Lehman Brothers, had a profound effect on the outlook of New York City's economy. From August 2008 to November of 2009, the city lost some 36,000 jobs from its financial services sector. It was alarming experience even to such a powerful city like New York. As

a result, the city government felt compelled to look beyond its existing industrial composition. The city government and the closely affiliated New York City Economic Development Corporation (NYCEDC) initiated a brainstorming, which culminated in new strategic areas that revolved around innovation in science and technology, exports, sustainability and new energy. Among such ideas, a theme that appeared regularly on the agenda was the need for more science and technology talent (Katz & Bradley, 2013, 17–20). Eventually, this need was translated into the idea of establishing a new science and engineering campus, but rather than starting it afresh, as an expensive, long-lasting and high-risk endeavour, the city utilised its brand and attractiveness by trying to find a high-ranking institution or alliance of such institutions to locate in or to expand to the city. The Applied Sciences NYC competition – a year-long contest directed at all prestigious universities in the world to build this new campus – was announced in December 2010. This is how the city was willing to look beyond its borders and even beyond the national borders for a source of engineering talent. After a long screening, Cornell and the Technion-Israel Institute of Technology eventually won the right to build a new graduate school on Roosevelt Island between Manhattan and Queens. The hope is that graduates of the new Cornell NYC Tech will help New York-based companies, non-profits and industries use new technologies to work better or on a more ambitious scale than before. Later, the city government announced the founding of yet another Applied Sciences Campus, which was to be set up by a consortium led by New York University, tentatively named the Center for Urban Science and Progress (CUSP), with a fundamental idea of applying the technologies of big data to urban problems and systems (Katz & Bradley, 2013, 23–27). This strategy is based on the idea that the talent attracted will encourage innovation, which will eventually enable NYC-based companies to increase exports.

### *Attracting student flows*

Expansion of educational markets, internationalisation of higher education and increased mobility of students has created new conditions for both educational institutions and their host cities. Education has become important element in demand-driven urban development epitomised by

host cities of world-class universities, such as Cambridge and Oxford in the UK and American places like Stanford (and Palo Alto) and Berkeley in California, Cambridge in Massachusetts (Harvard University and MIT) and Princeton in New Jersey. Another trend in the internationalisation of higher education institutions (HEIs) is the establishment of overseas campuses, which have increased dramatically since the early 2000s. Such campuses are established especially by American, Australian and British universities, the major host cities located in Asia, most notably in China, Singapore, Malaysia, Dubai and Qatar (Global Higher Education, 2014). Some of them have even international higher education 'cities' that follow free zone logic, as in the cases of Dubai International Academic City, Education City in Qatar and EduCity in Iskandar, Malaysia. One of the major trends in this field is the fast internationalisation of Asian research and education. Asia's catch-up process is speeded up by the Asian youth that is educated increasingly in world-class universities, Asian countries' attraction of the campuses of Western universities to their soil – including also prestigious universities from Sorbonne in Abu Dhabi to Cornell in Qatar – and rapid upgrading of the quality of their own universities. Many of Asian universities are already high-performers also according to global rankings, especially those from Singapore, Hong Kong and South Korea. On the other hand, currently only five countries attract two-thirds of international student flows, namely the USA, the UK, France, Australia and Germany (Manyika et al., 2014, 53). The USA has a special place in this field. Its number of foreign students with F-1 visa has increased from 110,000 in 2001 to 524,000 in 2012, the biggest increase caused by students from cities like Seoul, Beijing, Shanghai, Hyderabad (India) and Riyadh (Saudi Arabia). They head mostly to US metropolitan areas to study, especially STEM (science, technology, engineering, mathematics) and business fields (business, management and marketing), contributing approximately 21.8 billion USD in tuition and 12.8 billion USD in other spending to a little more than one hundred metro areas. It is striking that some 45% of foreign student graduates extend their visas to the same metropolitan area as their college or university (Ruiz, 2014).

A reason for post-industrial cities' interest in this option is simply because most of the world's top universities are located in advanced industrial countries. It allows them to capitalise on the reputation of world-class universities. They can attract considerable financial flows, including the resources committed to tuition and provision of services for incoming students and benefit from financial inflows due to fees and



other expenditures of the students. There are, of course, a lot of other costs and benefits associated with the presence of international students, the latter including knowledge absorption, reputation capital and start-upping and entrepreneurship (Throsby, 1999).

Let us take an example. ESADE conducted a study of the capacity of various cities to attract international MBA students, referred to as MBA City Monitor. The report's highlights of **Barcelona** show that the city welcomes yearly some 800 to 900 MBA students from abroad. The report reveals at least indicatively that the students in Barcelona's MBA programmes contribute some €60 million to the local economy on a yearly basis. The average MBA student spends slightly more than €70,000 per year on enrolment fees and living expenses. When both MBA students' and regular tourists' annualised spending is compared, the economic impact of MBA students is on average about 74% higher than that of the tourists who visit the city. Tourists' economic impact is self-evidently greater due to large numbers (in 2007 some 7 million tourists), even to the extent that it actually starts to increase congestion and other costs of the city, from crowds of tourists to traffic jams, high real estate prices in the city centre and widely spread pickpocketing. Trendy image with low-cost carriers has brought low-budget travellers to the city, which in turn has gradually reduced the average hotel stays, among others. Tourism that helped the city to revitalise since the Summer Olympic Games of 1992 is threatening its authenticity and has given impetus to citizens to reclaim their city. MBA students, in turn, bring multiplier effects, absorption of talent and spillover effects into the picture, which puts the weight more clearly on the MBA student side of the scale in the previous comparison. For example, MBA students benefit the city after graduation, for some 5–10% of international students in local MBA programmes are later recruited by Spanish companies. Another 10% settle permanently in the region and start their own business, and concerning the rest, in the case their experiences are positive, they serve as brand ambassadors and affect the reputation of the city in international arenas (ESADE, 2013).

The core academic function, which means in pragmatic terms hosting a higher education institution (HEI), may help cities to accumulate human capital, which should positively affect regional growth rates in

the future. Attractiveness of cities as destinations for education seekers is asymmetric, however. Herbst's (2012, 324) grouping of university cities on the basis of their attractiveness and absorption into four major types concretises such asymmetry:

- ▶ Winning academic cities attract a lot of students, even from abroad, and are able to successfully absorb graduates to the labour market and business.
- ▶ Supra-regional academic centres enjoy well-developed educational function (students attraction) but simultaneously suffer from an outflow of tertiary school graduates.
- ▶ Post-graduation migration destinations do not play an important role in the tertiary education market but, nevertheless, perform well in attracting and absorbing educated workforce.
- ▶ Local academic centres are characterised both by low ability to attract students (especially from outside the region where the university is located) and low attractiveness as a place of residence for graduates.

Existing case studies give empirical support to the general claim that large metropolises perform best in terms of both attraction and absorption of students and graduates, which suggests that they strongly benefit from their academic function (e.g. Herbst, 2012, 326). The other side of the coin is the fact that universities gain competitive advantage more than anything through their reputation. This implies that the role of assessments, performance measurements and most notably global university rankings are much more critical than in many other service industries (Wedlin, 2006; Shin et al., 2011). Symbolisation of the economy is visible in global competition between HEIs, which creates a 'tandem monopoly rent' acquired both by world-class institutions and their host cities (cf. Harvey, 2002; 2012). In such a competition, USA has gained a special position due to its renowned educational institutions, global networks of students and professionals and high-quality research and innovation activities. Their attraction power is immense. In the academic year 2012–2013, the country hosted a record 819,644 international students, which made 21% of all students studying abroad worldwide. In terms of metropolitan policy, experience in the USA points to the need of metropolitan leaders to emulate leading practices that capitalise on the knowledge and relationships of foreign students to strengthen local economies while also maximising students' educational and professional experience (Ruiz, 2014).

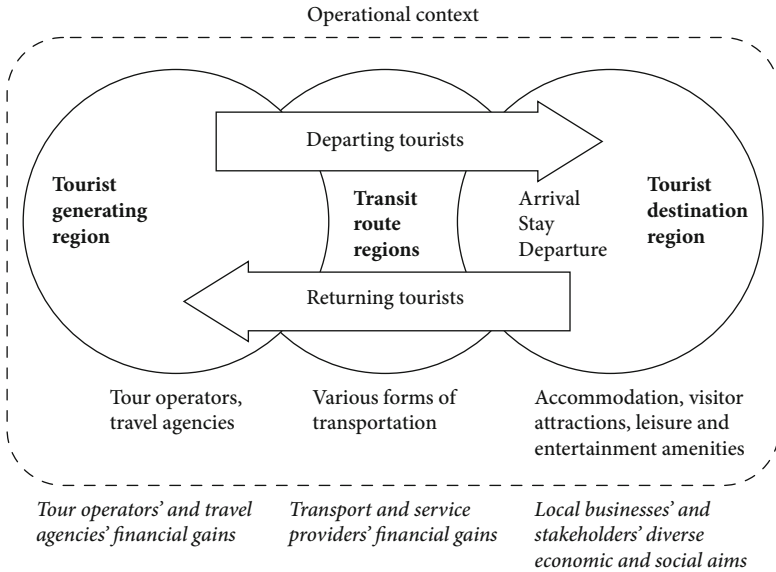
### *Attracting visitor flows through events*

Expansion of tourism is both a cause and an effect of globalisation; it exists as flows of people through which economic, social and cultural exchange takes place, but at the same time accelerates globalisation through such exchange (Richards, 2011). Overall, local economic development policy is not anymore about production – as it was primarily during the time of industrialisation when the attraction of manufacturing companies was the primary goal of local governments – but also about consumption-driven development. Consequently, competition between attractions, leisure and sports facilities, educational activities and retail complexes has become important instance of local economic development.

*Tourism* is a competition of the time and money of consumers based on the utilisation of distinctive features of production and consumption: customers come to suppliers to use the service that is produced in an interactive process that involves both customer and supplier and is thus perishable, supported by a range of other players who provide transportation, accommodation, entertainment and retail services (Weidenfeld et al., 2014). Tourism has for a long time been conceptualised as flows, due to the special nature of this industry. Its basic flow pattern is illustrated in tourism system model, presented in slightly modified form in Figure 5.4.

Tourism has become an important aspect of local development and global intercity competition (Judd & Fainstein, 1999; see also Smith, 2007). Its forms are continuously developing, starting from conventional mass tourism attracted by sunny beaches, various kinds of resorts, historic sites and major cities, but diversifying to various modes and segments, such as agritourism, rural tourism, industrial tourism, medical tourism, cultural tourism, urban tourism, eco-tourism, MICE tourism, SMERF tourism, sex tourism and so forth. Many of these areas have not been considered particular tourism markets at all or they have been seen as public service rather than a part of tourism industry (on rural tourism, see Sharpley, 2002; on medical tourism, see Botterill et al., 2013). This tells about the intensification of competition and related tourism product diversification.

**Dubai** in the United Arab Emirates is probably the most prominent consciously built global attraction hub in the world. It is unique in its determination to become a multi-profile global high-consumption hub with a somewhat inauthentic image but nevertheless with



**FIGURE 5.4** *Tourism system model*

Source: Adopted from Leiper (1990a; 1990b).

global appeal. Its ambition level is high, for it wants to attract 20 million tourists yearly by 2020 (it attracted close to 12 million people in 2014). Through initial oil revenues, an authoritarian regime and visionary leadership, it created in some 40 years a multinational city with investment-oriented attraction based on a 'city-within-a-city' concept, most of these 'cities' enjoying free zone status: Dubai Media City, Dubai Internet City, Dubai Knowledge Village, Dubai International Academic City, Dubai Maritime City, Dubai Healthcare City, Dubai Sports City and Dubai Logistics City as well as megaprojects like the Palm Jumeirah, the Palm Jebel Ali and Dubai World. Dubai is creating a wide palette of services, their core being partly in high-end consumption and partly in mass tourism. The free zone policy is directly linked to the flow management, as the Free Zone Authority in Dubai offers business licences to foreign companies on the basis of the special economic profile of each zone with tailored facilities and tax exemptions (Bagaen, 2007; Jacobs & Hall, 2007).

In order to keep discussion focussed, next we will briefly discuss a particular form of tourism at the intersection of urbanism and culture, that is, events and especially cultural events (on tourism economics and policy, see Dwyer et al., 2010).

*Events* have become important part of tourism industry. They epitomise the hope of post-industrial cities to find ways to capitalise on culture (see Zukin, 1995). Historically, events became showcase for goods and services already in the 19th century, eventually internationalising with the creations that later became World Fairs and Expos. Yet, in general, the functionalist modern city competed by monumentality, whereas the post-industrial, or in cultural terms 'postmodern', turn has urged cities to compete for *eventfulness*, as claimed by Richards and Palmer (2010). The same phenomenon is sometimes referred to as festivalisation (Hitters, 2007). Events offer the potential to achieve economic, social, cultural and environmental aims within broader urban development goals.

Investment in landmark buildings and facilities, as important as they may be in an individual case, often suffer from megaproject syndrome (cost and time overruns) and cause significant future operational costs, which have pushed alternative development strategies to the forefront of inter-urban competition. Previous dominance of the importance of built heritage in the cultural and economic development strategies of cities have given way to widespread benefits of events, which are generally viewed as being more flexible than fixed physical infrastructure, being able to offer special ambience, facilitating the co-presence and the feeling of 'being there', and being cost-effective way of achieving great impact especially in the short term. Eventfulness implies the temporary transformation of the city into a specific symbolic space in which the utilisation of the public domain is under the spell of a particular cultural consumption pattern, which can be seen as organised spectacles and urban carnivals for the masses (cf. Gotham, 2005). In such a situation, events and event spaces come temporarily to dominate the public life of a city (Richards & Palmer, 2010).

There is a plethora of inspiring examples of successful festivalisation. A middle-sized French city, **Montpellier**, created a Dance Festival in the early 1980s, which helped to attract visitors, contributed to the initiation of a summer school, led to the establishment of performing arts courses at the local university and helped grow the student population in the city. It tripled theatre-going in seven years and,

more broadly, gave the kind of injection that increased the reliance on cultural life in city's economic policy and well-being. A more famous case is the city of **Salzburg**, which regards its festivals and cultural events as the most important factor in its economy, contributing considerably to job creation and income generation. Similarly, **Edinburgh** has become recognised as festival city. It is said to have magnificent architecture providing a backdrop for a plethora of exciting and popular festivals unmatched in the UK or even Europe, even to the extent that during August the city is said to become effectively the cultural capital of the world. At the highest apex of global urban hierarchy, we may mention **London**, a city in which festivals and other events have been recognised as being vital to the quality of life in the city as well as to its tourism appeal (Graham Devlin Associates, 2001).

#### *Attracting business and professional visitors*

Meetings, conferences, conventions, trade fairs, exhibitions and similar kinds of events are at the forefront of modern business and professional interaction and communication. They describe a diverse mix of communications events, which have their rationale in people's universal need to congregate and confer. Some of the historically important congresses paved way for the modern conference industry, such as the Congress of Vienna held from September 1814 to June 1815. It was called to re-establish the territorial divisions of Europe after the Napoleonic Wars, which gathered together representatives from almost all major world powers of that day. These kinds of events have their impact even on today's conference industry, as in the case of Vienna Convention Bureau, which celebrated long and hard its success in attracting a high-profile, high-spend event to the city. Nineteenth century saw an increasing role of universities in providing facilities of information dissemination and spa towns and resorts as providers of assembly rooms and larger public spaces for entertainment and meetings. Also hotels, especially alongside major railway stations, had function rooms available for meetings and private events (Rogers, 2013).

Even if assemblies and congresses were driven by trade and industry, the early decades of the 20th century marked a gradual increase in activity which rather than promoting sales or reporting companies' annual

progress looked to developing staff and sales. A particular feature of the development in the US was the important role of trade and professional associations and also religious groups, which attracted the attention of business-minded communities. US cities started to set up convention bureaus in the first decades of the 20th century. Nowadays, all major cities all over the world have some kind of convention and visitor bureau (CVB) or destination marketing organisation (DMO). The growth of the industry generally took off in the developed world since the 1960s with a steady increase in investments in infrastructure that supports meetings and convention business (Rogers, 2013).

**Glasgow** is a Scottish city that has a history as the site of heavy industries and crime, at that time nicknamed as ‘no mean city’ after the title of the book published in the mid-1930s on Glasgow slums, written collaboratively by Alexander McArthur, unemployed worker from Glasgow, with a London-based journalist Kingsley Long. Its difference with sophisticated Edinburgh was drastic. As with so many other industrial cities, Glasgow experienced prolonged decline that started around the 1960s. Socio-economic problems followed, which were decisively addressed as late as in the early 1980s, when unemployment rate was close to one-quarter of the workforce. Tourism was one of the industries that potentially could help to find the way out of the misery. Glasgow was arguably one of the first UK cities to base its regeneration explicitly on arts, cultural history and related facilities (Leslie, 2001). The city showed the kind of urban entrepreneurialism that helped it to shake off its undesired image, i.e. using local resources to attract private investments in the purpose of enhancing urban revitalisation. Such a face lifting included a launching of arts festival, hosting a garden festival and opening of the Royal Concert Hall in 1990. During the 1980s, such cultural turns started slowly to attract wider attention. Then new partnership-based development made it possible to collect significant amount of capital needed for cultural investments. Institutional impetus came through Glasgow’s designation as the European City of Culture in 1990. And finally, the creation and utilisation of collective symbolic capital was epitomised by tourist promotion heralded by ‘Glasgow’s Miles Better’ campaign that lasted from 1983 to 1990. It was one of the first successful rebranding cases in the short history of modern city branding (Leslie, 2001).

The Glasgow City Council succeeded in promoting the city as a cultural destination. It continued this route, as no cultural city can afford to stand still. Cultural attractions – new concert hall, theatres, national opera and a range of galleries – were the building blocks of the development, but not the only pillars the Council relied on. Namely, attention was also paid to retail and conference markets in order to create base for sufficiently diverse tourism product as well as to improve urban amenities and the style and atmosphere of the city centre. Promotion of conferences and conventions as an important part of this strategy was initiated already in the 1980s. It set up its Convention Bureau earlier than most other UK cities and developed related competence so that in due course it was capable player at the international marketplace. Indications of the success include voting of the Convention Bureau as the best in the UK in 1994 and 1995, and Glasgow ranked number eight as the UK conference city in 1995. The value of conferences to the city reached 33 million GBP in 1995 and 54 million GBP a year later, giving an indication of its significance to the local economy (Leslie, 2001).

Glasgow continued in the chosen route in the 2000s and the following decade. It has developed significantly its status as a city of culture, which both stimulates and benefits from conference business. Attracting one-off global events, growing the city's annual calendar of major events and festivals and building on the city's business tourism offering are all crucial elements of the city's buoyant tourism industry. In 2011, the city attracted some 2.2 million visits, which generated about 562 million GBP. The tourism industry's employment is estimated to be in the region of 30,000 jobs, making over 7% of city's workforce (Glasgow City Marketing Bureau, n/a).

An important element of Glasgow's tourism strategy is business tourism. Conference delegates' account for one in five hotel beds sold in Glasgow, underscoring the importance of conventions to the city. Glasgow has taken this business seriously. The Glasgow model is a unique commitment to a jointly shared business strategy with the conference organiser. They explicitly understand the importance of reputation and brand, and they have a clear responsibility to deliver success through creating equity and profit for the customer (Rogers, 2003). Glasgow has, for example, worked hard at winning big international association conferences, which are an important part of the city's economy. Scott Taylor, Chief Executive of Glasgow



City Marketing Bureau, has said that they have a deliberate strategy of targeting the large international meetings with high numbers of delegates that deliver real economic value for the city. Together with city's cultural image, such a strategy seemed to have worked well. In November 2010, Glasgow became the first UK city to launch a formal Major Events Charter, which is another indication of its commitment to conference city strategy. The Charter guarantees the provision of exceptional support for organisers who bring their event to the city. Glasgow's reputation in this field continues to grow, with Glasgow City Marketing Bureau (GCMB) named the UK's Best Convention Bureau for eighth years in a row at the M&IT Awards (in 2014). Between 2006 and 2011, it was the most popular UK city after London for hosting international association meetings (see ICCA, 2013).

Conferences, conventions, meetings and business events – sometimes abbreviated to MICE (Meetings, Incentives, Conferences and Exhibitions) – form an increasingly important part of tourism industry (on terminology, see Convention Industry Council, 2011). Tourism as a whole is said to be the world's largest industry. Conferences and conventions are by volumes only a fraction of it, but they have become nevertheless important part of the global flows of values, as evidenced by international investments, countries represented in global trade shows, such as IMEX held every May in Frankfurt, and global expansion of conference organisers activities, such as that of the expansion of original European Incentive, Business Travel and Meetings Exhibition, organised by Reed Travel Exhibitions, to the Middle East, the USA and China (Rogers, 2013). In terms of required infrastructure, business tourism is fairly similar with leisure tourism. Yet conferences and business events have additional infrastructure requirements, such as appropriate venues, specialist contractors (for exhibitions, interpreters etc.) and staff that is trained to be aware of the particular needs of conference organisers and delegates. Another major difference is in their direct and indirect benefits as well as side-effects. Business tourism provides benefits that go beyond conventional tourism, such as greater profitability (a UK study conducted in 2011 showed that conference and business visitors from abroad spent on average 72% more per day than leisure visitors), year-round activity and future inward investment as when conference attendees return to the city as leisure visitors or relocate their business

there, boosting local knowledge and skills, enhance overall quality of life in a community and, last but not least, less negative impacts on the environment than mass leisure tourism (Rogers, 2013).

In terms of managing visitor flows, attention has traditionally been directed to facilities and measurement of hotel nights and visitors' spending. Only recently is attention shifting to a more profound understanding of what such events are about. Their purpose is not to fill neither conference nor hotel rooms – these are just by-products from the point of view of organisers and participants – but to accomplish something, like bringing CEOs or world-class experts at the same table, present breakthrough results of recent research, share new developments in marketing techniques or just provide convenient way for colleagues to meet within the same discipline. Without deeper understanding of the very fundamental nature of conference business, there is a risk of associating entire industry with leisure rather than professional development and, eventually, of trivialising meetings in the eyes of those who are supposed to develop them as the engines of local economic development (Rogers, 2003).

Due to the expanding convention industry and its spillover effects and contribution to the better image, post-industrial cities have seen it as a natural part of their industrial composition. However, a closer examination of the convention business and city and state spending on host venues reveals that 'build it, and they will come' principle can become costly. Drawing from American experience, Heywood (2005) has made the following conclusions. First, the overall convention marketplace is declining in a manner that suggests that a recovery or turnaround is unlikely to yield much increased business for any given community, contrary to repeated industry projections. This decline began before the disruptions of 9/11 and is in the long term likely to be exacerbated by advances in ICTs. Nonetheless, cities have continued a type of arms race with competing cities to host conferences and business events, investing massive amounts of capital in convention centre construction. Over the past decade alone, public capital spending on convention centres has doubled and increased convention space by over 50% since 1990. Faced with increased competition, many cities spend more money on additional convention amenities, like publicly financed hotels to serve as convention 'headquarters'. Another competitive response has been to offer special discounts to tradeshow groups. Despite dedicated taxes to pay off the public bonds issued to build convention centres, many

operate at a loss. This analysis should give local leaders pause as they consider calls for ever more public investment into the convention business while weighing simultaneously where else scarce public funds could be spent to boost the urban economy (Heywood, 2005). Carefulness with this development option is also justified by the fact that international association meetings are getting smaller. The average number of participants to international association meetings has dropped from 1,253 in the period of 1963–1967 to 424 in the period of 2008–2012. The rate at which attendance is shrinking is much lower than the rate of growth in the number of meetings, however, so that over the last decade, the average attendance has reduced by less than 20% while the number of meetings has doubled (ICCA, 2013). At the same time, there is need to remember that even if such developments are generally conditioned by overall economic prospects, situations of cities vary case by case. For decades, several conference cities have maintained their attractiveness, including such global magnets as Paris, Vienna, Barcelona, Berlin, London and Amsterdam. Yet looking at the regional trends, big risers are Asian cities like Singapore, Beijing and Seoul (ICCA, 2013).

A case in which industrial specialisation relates to business tourism strategy is **Kobe** in Kansai area, Japan. Kobe is an international port and trading centre that enjoys exceptionally cosmopolitan reputation in Japan. Its population is around 1.5 million, which makes it one of the largest cities in Kansai area, about the same size with Kyoto. Kobe set a vision of convention city in 1980 just one year before the Kobe Port Island Exposition took place in 1981. Kobe was a pioneer in Japan with large-scale investment in the Kobe Convention Center (KCC), a complex that combines the International Conference Centre, the Kobe International Exhibition Hall and Kobe Portopia Hotel. After making considerable efforts toward convention city, the city modified its destination brand as 'Medical Convention City' after the Great Hanshin Earthquake in 1995 and fixed its brand as 'Advanced Medical Convention City' in line with its industrial specialisation in medical and pharmaceutical industry. In Kobe's industrial composition, port-related and port-dependent industries still have a significant role. With the recent 'softening' of the economy, service industry has attracted local developers' attention, including systematic efforts to attract tourists and conventions. In order to gain inter-industry synergies and

cluster effects, the most visible attempt has been to link biomedical research, services and industries facilitated by Kobe Biomedical Innovation Cluster (KBIC), a new R&D complex on the Port Island, and convention promotion with an aim of creating high value-adding businesses through internationalisation. KCC is the major instrument of such an industrial profiling, manifest in its emphasis on medical conferences (Hikita & Okuno, 2014, 94). An indication of Kobe's prominent role nationally is its nomination as one of the five Global MICE Strategic Cities by the Japan Tourism Agency in 2013 (Hikita & Okuno, 2014, 92).

As competition between cities is severe, there is a need to identify market segments that match with the strengths of the city. For example, beside business events, there is a special category of meetings known as SMERF, abbreviated from social, military, education, religious and fraternal meetings, which is not particularly large segment, but its groups often have loyal attendees who fill hotel vacancies by meeting on weekends and during off-peak times and seem to be less dependent on economic conjunctures than business events. The other side of the coin is that they tend to be mostly small groups with tight budgets and attendees who pay all or most of their meeting expenses by themselves. SMERF planners keep costs down by negotiating aggressively. That explains why planners of SMERF meetings tend to favour less expensive second- and third-tier destinations (Reveron, 2013).

# 6

## Attraction Management of Branded Hubs

**Abstract:** *This chapter starts by linking localities with global economy using the scheme known as City Attraction Hypothesis. It discusses the attraction-oriented urban development in the context of global intercity competition. The rest of the discussion takes a managerial view on flow analysis and related urban attraction management. If the economy is increasingly fluid, how are we supposed to promote urban economic development? What are the preconditions of the urban development vis-à-vis global space of flows? This section points to the increased importance of urban symbolism and its potential to improve cities' ability to attract factors of production and consumption from the global flows. This discussion culminates in brand management as an aid to attraction management with a focus on mass, arena, institution and media branding.*

**Keywords:** attraction management; attractiveness; brand management; branded hub; City Attraction Hypothesis; city branding; competition; place promotion; urban management

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## City attraction hypothesis

One of the strategic decisions of cities in the context of globalisation is to determine what they have to offer global markets, what are the chances for generative interaction with the outside world, and what in the city itself attracts the attention of various audiences, such as tourists, professionals, entrepreneurs and investors. Seeking answers to such questions contributes to our understanding of the local-global dialectic (cf. Harvey, 1989). In order to crystallise the logic of such a contextual aspect of local development and the premises of attraction-based development policy, we may formulate the following City Attraction Hypothesis (Anttiroiko, 2014a; 2014b):

- 1 The dynamics postulate: global intercity competition is ultimately about the attractiveness of a city.
- 2 The rationality postulate: for any city, it is rational to attract the highest possible total value that is possible with the existing local assets, capabilities and connections.
- 3 The instrument postulate: attracting optimal value constellations requires the utilisation of collective symbolic capital through international city branding.
- 4 The positioning postulate: materialised attractiveness determines city's position in the global urban hierarchy.
- 5 The outcome postulate: the higher position in the urban hierarchy, the better chances to create local prosperity and enhance resilience.

The hypothesis presented above outlines the basic rationality of urban development in the age of globalisation. It aims to explain how the intensification of intercity competition tends to increase city governments' conscious attempts to manage their contextual relations and to strengthen attraction-oriented thinking among city management (Anttiroiko, 2014a; 2014b). It should be noted, however, that this hypothesis approaches the issue from the point of view of urban community, which emphasises the magnet effect or symbolic pull of local economy as a whole.

The *dynamics postulate* states that global intercity competition is about the attractiveness of a city. Cities compete in a symbolic battlefield in which each city with its own economic profile, assets and capacity aims at attracting different kinds of values from the space of flows. This postulate states that there is increased importance of urban attractiveness,

which is conditioned by mobility, connectedness and interdependency in economic life on a global scale.

The *rationality postulate* brings the rational agency and abstract optimisation scheme into the picture by assuming that at the general level urban governments must have some considerations of what are the kinds of values they wish to attract or as their aggregate what is the highest possible total value the city has best chances to attract. This is a multidimensional issue, of course. The primary criteria can be in most cases found from local economic development strategies and explicit goals (such as attracting some target industries), but they are obviously conditioned by the preconditions set by attraction factors and locality characteristics, such as population, geography, location and natural resources.

The *instrument postulate* urges us to pay attention to a pragmatic aspect of local economic development: if we try to attract the optimal constellation of values from the space of flows (What?), the obvious next question is about the means (How?). This postulate takes it for granted that some kind of strategic city marketing approach is required. Yet this does not imply simple promotion-oriented place marketing. Rather, it is more about international city branding that starts from the economic identity of the city and proceeds to strategic actions such as determining city's economic profile and areas of specialisation, which are based on coherent economic development strategy. Such activities are intertwined by collective symbolic capital of the city.

The *positioning postulate* states that materialised attractiveness determines city's function in the global division of labour and position in the global urban hierarchy. The idea of this postulate is to pay attention to the structural conditions of cities, such as global urban asymmetry, which through economic division of labour points to the relative position of each city in the dynamic, competitive field. Each city's position reflects its historical development path, the capacity of urban government and the changing historical situations within which it must start to reposition itself.

Lastly, the *outcome postulate* as the elaboration of previous postulates takes a view to the reward side of intercity competition. As global urban hierarchy is a multidimensional formation, there cannot be a simple index to point to the winners and losers of the game (it is questionable if such a measure has any positive function in the first place). Nevertheless, we may assume that a high position in the urban hierarchy is an

expression of the relative success of a city (actuality), which presumably correlates with city's ability to attract resources from the global value flows (potentiality), and further, that they together affect cities' chances to create local prosperity and to ensure the well-being of residents and the entire local community. Just like positions, also outcomes change over time and require thus continuous economic restructuring.

Undoubtedly, all these postulates are abstractions of reality and require validation. Their function is to guide the search for an explanation of urban intercity competition and of the premises of urban management. We may challenge all of them and even rephrase them the way that shifts attention from the strategic positioning of cities in the global intercity competition to the deteriorating social consequences of such competition – a move that would actually take the hypothesis closer to Friedmann's (1986) famous World City Hypothesis. If the City Attraction Hypothesis is turned upside down, so to speak, the dynamics postulate would be taken further to claim that unhealthy attraction-oriented intercity competition deteriorates the global urban system. The rationality postulate would translate into the urban version of the much discussed race to the bottom thesis (Brecher & Costello, 1994). The instrument postulate turns easily into one that highlights pervasive instrumentality and over-commercialisation as the major trend in urban life with obvious negative effects on the cultural landscape of the postmodern world. The positioning postulate is a reflection of the global urban asymmetry as a reminiscent of the geography of underdevelopment (Forbes, 2014). In such a framework, the outcome postulate would then simply be the expression of the municipal entrepreneurialism with a tendency for polarisation of local societies and of the world system as a whole (cf. Harvey, 1989; Wallerstein, 1976).

Lastly, it is important to keep in mind that there are many structural and institutional conditions that determine the feasible scope and level of ambition of attraction-oriented economic development policy. The global urban asymmetry or the 'spikiness' of our world is one of such primary conditioning factors, which implies that many of the key assets and value-creating activities concentrate even globally in the metropolitan areas of the West and increasingly to the hotspots of emerging Asian economies (Florida, 2005). Agglomeration effects magnify the impact of local incentives considerably (Head & Ries, 1996). On the other hand, there are also claims that the urban resurgence or growth is connected to the distinctiveness of cities and not necessarily to their



size, i.e. distinctive production structure, consumption mix and identity. However, large metropolises at the top of global urban hierarchy have magnitude on their side; they have institutional thickness, certain degree of economic power, special strengths in arts, media, advanced services and architecture, and a special global city or world city atmosphere, which are trump cards in the current intercity competition (Markusen & Schrock, 2006; Lorentzen & Hansen, 2014).

## Urban attraction management

Even if globalisation has been exhaustively discussed in urban studies during the past few decades, reference to it is unavoidable when attempting to understand the recent trends and developments in urban life. One of its manifestations is crystallised in previously briefly discussed city attraction hypothesis, which explains why globalisation inherently increases intercity competition and compels cities to increase their attractiveness in terms of capital, entrepreneurship, innovation, expertise and consumption. This competition takes place in an asymmetric field, with cities trying to find the best possible ways of using their natural and created assets, to provide appealing operating environments, inducements or persuasive messages that catch the attention of private sector actors that make the decisions on resources that cities' aspire to attract (Anttiroiko, 2014a). The totality of such activities can be called urban attraction management.

## A management challenge

Globalisation is a result of thousands of interrelated decisions and actions with varying impact on societal structures, institutional arrangements and organisational processes. *New urban management* must cope with such complexity. We are talking about a huge managerial challenge, which requires that attention is paid to three particular points: a city dealing with the *globalised world*, in which *value flows* are attracted with a special *target market* in mind. When translated into managerial language, there is need for strategic management to guarantee that the development of a city is adjusted to contextual changes, for process-oriented management to conduct flow analysis and facilitate related interventions, and for marketing that serves in making such contextual processes customer-centric, focussed and smooth.

At the strategic level, there is need to understand the nature of city as dissipative structure vis-à-vis global flows. In this sense, the attraction management can be seen as a conventional *strategic management* process, which starts from the scanning of operational environment and assessment of local features, continues with selection of strategies and agile implementation and ends up with performance evaluation. Yet, due to the special nature of this management field, the implementation phase especially requires special attention. We may even see that it requires a special management approach, *process-oriented management*, that embraces the idea of improving a city's performance by attracting frictional and frictionless flows and integrating them into local productive processes. However, unlike work processes or production processes, we are dealing with relational and contextual processes, which require that attention is paid to relational aspects of urban management, such as how to build the big picture of dissipative structure on the basis of flow analyses, how to attract and serve the flows of tourists, talent or FDIs, for example, including a set of place shaping and destination management activities. This brings us to such frontline aspects of flows as attraction, access, accommodation, activities and amenities (5As), as well as such preconditions as collaboration between service providers, local regulations and the support provided by public organisations. They lead us to the third dimension of attraction management, *city marketing*. In the big picture, marketing is needed to give a factual direction to city's efforts to capture target flows and thus the outreach to target markets. Classic definition of marketing by American Marketing Association (AMA) depicts the essence of such a relational process well: 'Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large' (AMA, 2014). When marketing is adopted to urban attraction management, it provides tools to connect the power of place with the space of flows (Castells, 1989) or, as put by Doel and Hubbard (2002), to pursue a spatialised politics of flow rather than a place-based politics of competition.

The primary concern in urban attraction management is to make best possible use of local assets and capabilities vis-à-vis global flows of values. Desire for such socio-economic gravitation is a fact of life in global urban economy, which at the same time through invisible hand increases efficiency at global level. If this were not the case, how to explain the huge investments in tourist attractions throughout the world,

increased investments among cities in professional event promotion and the activities of convention bureaus, the branding campaigns such as ‘I amsterdam’ or ‘Stockholm, The Capital of Scandinavia’, and the inexorable emphasis on competitiveness and the favourable business climate of cities in international arenas? In short, the imperative of global intercity competition requires that cities start projecting their image to the outside world, as crystallised by Newman and Thornley (2005, 44).

### Asset analysis

In terms of assets, urban attraction strategies can be based on three fundamentally different sources: infrastructure, incentive and information. We may call them 3Is for short (Anttiroiko, 2014a). Another way of approaching this issue is to consider the particular aspects of local community that can serve marketing and branding purposes. Kotler and others (1993, 33), for example, presented a four-fold scheme that is a good example of such an approach, identifying the following attractors that can be used by local communities to attract various target markets: infrastructure, attractions, people and images. By combining these two schemes we end up with a comprehensive model, as presented in Figure 6.1.

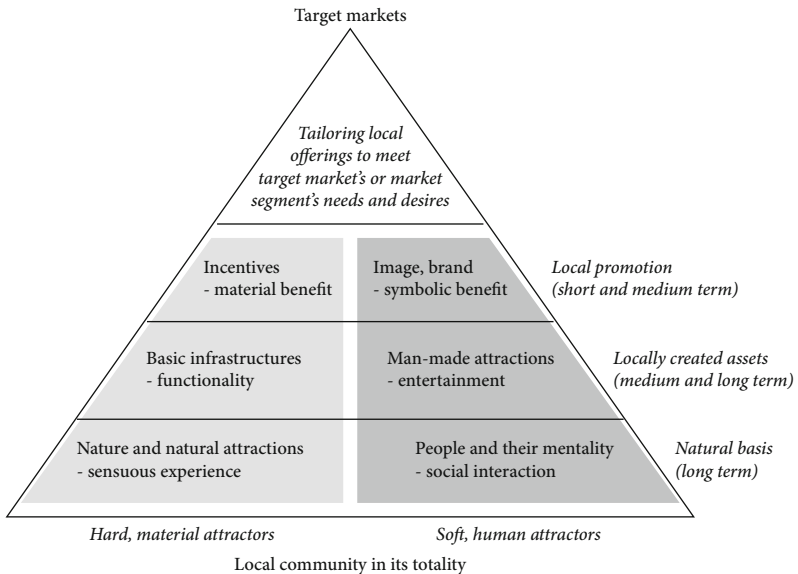


FIGURE 6.1 *Local asset categories as attractors*

One of the cornerstones of attraction management is *urban asset analysis*, which helps to understand the nature and relevance of different assets as well as related time horizon (short term vs. medium term vs. long term). Next, let us briefly discuss the main categories of such an analysis as a community-wide effort. The same kind of analysis can be done separately within the framework of local economic development, focussing especially on investment attraction and tourism promotion.

*Nature* is the basic category of attraction even in the urban environment. It forms the basis on which we build our infrastructures, roads, bridges, harbours, schools and other amenities. ‘Nature’ in urban environment is affected by humans, but it can in any case form an important framing element of attractiveness. In addition, green infrastructure, biodiversity, roof and vertical gardens and, in general, integration of nature into our everyday life is an important trend in urban development with various implications for attraction management. In short, urban nature and urban natural attractions have a lot to give in increasing urban attractiveness (cf. Kotler et al., 1993). In many global cities, natural environment – forests, beaches, rivers and hills – has important supportive value for city promotion. The interplay of built and natural environment is visible also in waterfront developments, which form in many cases the heart of a city.

*Local people* may affect the attractiveness of a city tremendously. People’s assets, capabilities, educational level, entrepreneurial spirit and behavioural characteristics, even if often obviously difficult to identify and harness in attraction management, may have a decisive role in the long-term development of an area. People in New York are known to be perform-oriented, competitive and snobby, whereas people in California have a reputation of being tolerant and entrepreneurial. Almost every place has some general label in this respect, even though in a global perspective they may also be country of origin type of perceptions rather than features associated with an individual city. Let’s take some examples. Are people liberal and tolerant in Amsterdam, honest and hard-working in Helsinki, busy and status-hungry in Seoul, business-minded in Osaka, polite but distant in Tokyo, arrogant in Paris, dangerous in Acapulco, business-minded and corrupt in Chicago, rude in Newark and friendly in Jackson? Such images develop for various reasons and various ways – ranging from customs and habits that have a long history to some local features such as multiculturalism or crime rate or even doings of influential citizens – but they nevertheless affect in varying degrees outsiders’

perception of the city, sometimes increasing, sometimes decreasing its attractiveness. From an economic development point of view, besides honesty, friendliness and hospitality of local people, the levels of human, creative and social capital, general work orientation and entrepreneurship have direct connection to production inputs and are thus likely to have an impact on producers' perception of the city.

An important layer of attraction management consists of man-made attractions – theme parks, zoos, museums and the like – and infrastructures, such as roads, bridges, premises, facilities and related services. *Human created attractions* form generally the core for local attraction. They are sites, buildings or environments that have special appeal to a target group. In this respect, the nature of target market determines what kind of attractions we are talking about. When attracting tourists, it may be about natural beauty, recreational services or entertainment, whereas in attracting special visitor groups it may be about conference facilities, research parks, clusters or magnet institutions (see Kotler et al., 1993). Another important point is the special nature of attractions in the context of local economic development, in which two dominant activity areas have been investment and tourism promotion. This emphasises the special nature of attractions industry-wise, which can be based on previously discussed attraction factors. Accordingly, attractions can be classified into two major groups: (a) attractions that attract producers according to the logic of each industry and (b) attractions that are appealing to consumers, understood here as end users or ultimate customers of final products or services. We may broaden the latter to a wider group of consumers and producers by extending target groups beyond ultimate customers, to both trade customers who purchase products for re-sale and industrial customers who use intermediate products as inputs in their production.

For various reasons, *infrastructure* has a key role in attraction management. Such reasons relate actually to a paradigm shift in infrastructure policy. Namely, infrastructure used to be seen if not invisible at least slowly changing, static element in urban development. The emergence of post-industrial society in the post-war decades became manifest in the expanding service sector and in the increase in the relevance of consumption in the economy, which started to shift the emphasis in local economic development from production to consumption. Rather than trying to attract a manufacturing company to a city to replace the job losses in industries, many cities started to create jobs by reinventing

themselves as the centres of consumption. Amenity cities have had faster pace of growth and they have increased their overall attractiveness (Glaeser et al., 2001). Besides, there is some evidence to claim that it is particularly the talented and skilled people or 'creative class' that pays special attention to amenities as a criterion of their choice of the city they want to live in (Florida, 2002b). Such development has brought the role of infrastructure into the new light in urban development. Another paradigm shift relates to the fundamental change in the global social morphology, which is associated with the synergistic economic impact of flows. Infrastructures can be seen dynamically through their role in directing material flows and therefore through their impact on resource use, productivity and efficiency. The idea of dissipative structure makes the case for examining urban communities from a material flow perspective, presenting the city as a living organism with a dynamic and continuous flow of inputs and outputs as its 'metabolism' while also placing the city within the broader system of flows that make it eventually possible for it to function properly (UNEP, 2013; see also Weinstock, 2013; Graham & Marvin, 2001). This view has implications for cities role in functional and ecological terms. First, it is obvious that well-designed and well-functioning hard and soft infrastructures are indispensable to attraction management as logistics base that guarantee smooth flows. Infrastructures can be attractors able to provide tangible benefits to economic actors. Second, from the point of view of dissipative structure, it is a short way to the idea of sustainable city, i.e. to a city that lives through its material and environmental flows (Evans et al., 2007; Kaika, 2005; Spaargaren et al., 2006). Ecological smartness and innovativeness may increase the overall attractiveness of a city (Mazmanian & Blanco, 2014). The case in point is Portland, which benefits from its image as a leading US green city (Khan, 2013).

A category of its own is direct economic benefits that the community is willing to give to a relocating company. Such benefits include various kinds of incentives, tax exemptions and other benefits that contribute to city's attraction efforts. Such promotional activities included in the time of industrialisation the provision of land for manufacturing plants. In the postmodern condition, emphasis of economic development policy is increasingly on local talent pool, innovation milieu, eventfulness of the place and urban amenities. Such public intervention and direct support to companies have been criticised from both sides of political spectrum: from the right as they tend to distort competition and from left as they

increase risks and may lead to race to the bottom phenomenon (of institutional competition, see Bergh & Höijer, 2008).

Lastly, of the categories of infrastructure, incentive and information of the 3Is model of local promotion the last one, *information*, includes all kinds of symbolic aspects relating to city marketing. That is, it refers to any form and content of communication that serves attraction processes. It can be talking, courtesy, writings, pictures, videos and media-related content that are used for persuasive reasons, the most paradigmatic instance being advertising and promotion campaigns. Place promotion, city marketing and city branding are concepts that manifest such an approach (Dinnie, 2011; Kavaratzis & Ashworth, 2008; Anholt, 2007). They provide frameworks and tools to increase cities' attractiveness as a business or tourist location (Newman & Thornley, 2005). Of these concepts, city branding represents the most recent phase in the development of the approaches in city marketing (Anttiroiko, 2014a).

The rise of city branding as a systematic approach to creating and utilising the brand of a city in its attraction-oriented development policy has its macro-sociological explanation in the idea of *collective symbolic capital* or the 'art of rent' (Harvey, 2002), which emanates naturally from cities' actions, promotion and publicity, but which can be better understood, generated and utilised if it is consciously created and professionally managed. City branding is a managed process of creating, utilising and sustaining city brand. City brand, in turn, is the unique, multidimensional blend of elements that provide the city with locally grounded differentiation and relevance for all its target audiences (Dinnie, 2008; Anttiroiko, 2014a). There is need to point out that no brand can be solely controlled by the brand creator, and this is particularly true with local communities, which are internally heterogeneous and centrifugal collective, place-bound entities (see Anholt, 2010). Having said that, cities have some kind of identity or collective personality as the basis of their self-understanding or self-image, which can be explicated and developed as a collective endeavour. Cities also have their image and reputation among wider audiences irrespective of whether they want it or not. Somewhere between these two aspects there is a room for a consciously created, *desired city brand* as an attempt to create and utilise monopoly rent (Harvey, 2001; 2012) or 'monopoly status through symbolic connotation' (Logan & Molotch, 1987). In other words, in a properly established, governed and managed city, there can be a coherent

brand identity, brand promise, set of brand attributes, brand positioning and brand communications plan designed for a particular city by its people and/or leaders – depending on how authoritarian or democratic its governance model is – as a conscious attempt to build and utilise an identity-based city brand in local economic development. Such an economic development brand does not stay pure when ‘in use’ in the real world but is reinforced, refined, challenged and dissolved relentlessly in thousands of more or less separate moments. Thus, a desired brand is only one voice in the global choir characterised by cultural-cognitive dissonances, which ultimately builds an aggregate image of a city. One measure for the success of the city branding process is its impact on such a factual aggregate brand image. In this sense, city brand is ‘displayed’ in a tensional field pressed between self-controlled identity and expressions made and controlled by external forces, such as people living in other cities all over the world, global business world and the global media (Anttiroiko, 2014a).

## **Flow analytics**

Urban attraction management bridges local attraction factors and global flows of values through attraction, value creation and export. That is, it pays attention to local community’s ability to channel targeted value flows to a locality, to accommodate and nurture them and to combine them locally in order to utilise them in local consumption, in international interaction or in creating innovative offerings to global markets. All this requires deep understanding of target markets, on the one hand, and related flow dynamics and marketing requirements, on the other. Three fundamental aspects of flow analytics are provided by Ghemawat and Altman (2014) in their research on global connectedness of countries and macro-regions. Their 3D approach to measuring globalisation pays attention to the following dimensions:

- 1 Depth – flow intensity, i.e. territorial communities’ international flows relative to the size of their domestic economies;
- 2 Breath – geographic distribution of international interactions, or more precisely, how closely area’s distribution of international flows across its partner countries matches the global distribution of the same type of flows; and
- 3 Directionality – inbound and outbound flows in the territorial community, which can be seen in their trade balance.



As these are operational measures, they can be used in empirical analysis. In terms of flow intensity of international interactions, leading countries and regions tend to be wealthy and small, such as Hong Kong, Singapore and Luxembourg (Ghemawat & Altman, 2014). In a similar analysis conducted by McKinsey Global Institute, the countries with highest flow intensity included Luxembourg, Hong Kong, Singapore, Estonia, Ireland, Belgium, Malaysia, Thailand and the Netherlands (Manyika et al., 2014). Concerning the breath, leading countries tend to be wealthy and large, such as the UK, USA and the Netherlands. The DHL Global Connectedness Index combines these two dimensions – depth and breath – into a global rank of connectedness, in which highest ranks belong to the Netherlands, Ireland, Singapore, Belgium, Luxembourg, Switzerland, the UK, Denmark, Germany and Sweden. Nine of these ten countries are European, In fact, in spite of its much discussed political, governance and economic problems, Europe is still the most globally connected macro-region in the world, having highest scores in trade and migration. In overall ranking, it is followed by North America, which has the leading position with regard to capital and information flows. However, when we look at relative changes in connectedness, emerging economies of the Global South are rising, having special strength in trade flows but at the same time weak connectedness in terms of capital, human and information flows (Ghemawat and Altman, 2014). Even if these are country-level analyses, they reveal indirectly something about cities, most notably about post-industrial urban economies as a part of global flow economy.

## Strategic options

As there are different types of flows with different dynamics, also local governments' strategies need to be tailored to reflect such diversity. Let us take next a view of strategic option based on three different criteria: rules applied in the attraction game, city's position vis-à-vis global flows and the nature of economic activities.

The first strategic approach relates most directly to regulation and governance issues. The question is whether the city should follow supposedly universal rules of the open and fair global intercity competition associated with free-market policy. In such a case, every city must compete in the context of their national framework without government regulation and subsidies that may bring about market distortion.

One of such distorting form in spatial development is the creation of *free economic zones*, export processing zones, free trade zones and free ports, which create agglomeration effect through special policies, as in the case of special economic zones (SEZ) in China. They are usually created to attract FDIs and to increase productive activities in the area at the expense of lost tax revenues and often also of respect for labour rights. A well-known case is Dubai with its themed economic zones that attract capital, enterprises and talent related to the profile of each zone, be it healthcare, sports, media, Internet or higher education. It should be noted that industrial parks and high-tech parks in developed countries promote cluster formation on the basis of available land, sufficient infrastructure and supportive milieu, without a need to use special subsidies not to speak of the violation of labour rights (see e.g. Castells & Hall, 1994; Park, 2002; Sternberg, 2004; Hu et al., 2009; Saari & Haapasalo, 2012). The other form of market distortion is *offshore financial centres*, which tend to operate with different rules than the rest of the economy. They refer to jurisdictions that provide financial services to non-residents on a scale that is incommensurate with the size and the financing of their domestic economies (Laulajainen, 2003, 359–363; Zoromé, 2007). A third form is *tax haven*, which is a country or territory where certain taxes are extremely low or not levied at all, and where also a system of financial secrecy is usually in place. Due to increased criticism, tax havens and offshore financial centres like Cayman Islands may have difficulties in the long run to continue their wealth management operations which provides foreigners with an opportunity to evade taxes (see e.g. Dharmapala, 2008; Dharmapala & Hines, 2009; Johannesen & Zucman, 2014). It is noteworthy that approximately 15% of countries are some kind of tax havens, most notably such city-states and countries like Switzerland, Luxembourg, Hong Kong and Singapore.

Another view of strategic options is built by James Manyika and his co-authors in McKinsey Global Institute. They identified three ways of successful participation in global flows depending on the position of a city vis-à-vis global flows. First, *generalist countries*, like Germany and the United States, have balanced participation in all major types of flows, from capital to trade, people and ideas. We may assume that prominent global cities such as New York, London, Tokyo and Paris have largely such a role as nodal points of global economy, even if their global role is primarily based on their fully fledged service palette centred on international business services, financial services and headquarter functions

(cf. Sassen, 2001). If the connectedness of cities are measured by the multidimensional criteria, such as container ports, international airports, financial services, inward migration and online traffic hubs, cities and city-states that stand out as globally connected are Dubai, Hong Kong, London, New York, Singapore and Tokyo (Manyika et al., 2014).

The other success recipe favours *specialisation*. Such specialist countries have disproportionate share of only one or two types of flows. This is visible in two major emerging economies; in China in export of goods and also in financial services and in India in providing services internationally (Manyika et al., 2014). In China, many cities are true global manufacturing powerhouses, exemplified by cities like Guangzhou, Tianjin, Dongguan and Hangzhou (Mody & Wang, 1997; Wu, 2007; Wang et al., 2014). The other specialisation area is financial services, which are concentrated in such cities as Hong Kong, Shanghai, Shenzhen and Beijing (Subacchi et al., 2012). At the same time, these are cities that have already entered into the category of global cities with an increasingly important role in global division of labour. India took a different path. In the area of business process outsourcing, call centres and IT services, the combination of a large pool of well-trained English-speaking workforce and low labour cost served as catalyst for economic growth, even to the extent that most of the world's top outsourcing cities are Indian, including Bangalore, Mumbai, Delhi, Chennai, Hyderabad and Pune (see Tholons, 2013).

Moreover, there are small and medium-sized countries that serve as kinds of 'waypoints', which neither originates nor received considerable amount of values through flows but rather serve as hubs that channel and redistribute flows from several sources to many destinations. Singapore, the Netherlands, Belgium and Luxembourg are all in their special areas hubs that make it plausible to give them such a label. For example, Singapore has strong position in global goods trade and financial flows and high participation in other types of flows as well, making it one of the world's most connected countries. The waypoint feature is visible in the fact that it re-exports 44% of all the goods it imports, making it major hub for intra-Asian trade. Singapore's waypoint role is also reflected in its important role as logistic hub and advanced service centre, its role as offshore wealth management and private assets centre and more generally as a major Asian financial city and, lastly, its above-average level of connectedness to people and data flows (Manyika et al., 2014, 67, 79).

Lastly, strategic options can also be assessed on the basis of economic activities and industrial composition in particular. A very basic way is

to make choices between productionist, consumptionist and welfarist policy options (Hudson, 1996). Accordingly, the city may seek competitive advantage with respect to *production* with a reliance on physical infrastructures, support to the development of production technologies, improving local innovation milieu and supporting export. Such an option requires that special attention is paid to the competitiveness of a city. A special instance of production strategy is to acquire post-industrial productive functions in service sector or key business or governmental command and control functions, such as media or financial clusters. The obvious alternative strategy relies on *consumption* by promoting shopping, party city functions or cultural or business tourism or simply by attracting high-income residents. Such competitive advantages are usually based on special attractions, urban amenities and reputation building. Cities that are not particularly well-prepared for global competition may try to strengthen their position in the competition for the *state surpluses* distributed by national or regional governments to finance, for example, urban regeneration programmes. Such a strategic option relies more than anything on special conditions that are in the given policy context considered to require special support, as in the case of urban regeneration programmes, and regarding the city itself, on governance capacity that is needed to represent local interests in multilevel governance systems (Harvey, 1989; Griffiths, 1989, 42–43; Hudson, 1996; Meyer, 2000). The first two operate in the dynamic sphere of the free movement of capital, goods, services and people whereas the latter as an institutionally oriented strategy works only in favourable institutional context and can hardly be seen sustainable in the long run. Such overall strategic approaches can be developed further by specialising on selected aspects of each strategy, relying on specialisation, cluster formation, flow-based strategies or other means of economic development policy (see e.g. Anttiroiko, 2014a).

### Actors, arenas and media

Flows in their entirety are abstractions, which, even if they can be illustrated in various ways, cannot be observed directly the way that reveals their ontological nature to an observer. Such an abstraction is helpful at the level of masterminding general aspects of flow analysis and management, but flows need to be taken to their real life instances and contexts in order to become manageable. In this respect, it is actually relieving

that ultimately our social reality is not actually made of the separation but of interface between places and flows, having its expressions in both spheres (Castells, 2000). To take such a view further, Doel and Hubbard (2002) suggest that we should look beyond the spatiality of places to practices and symbols that emanate from flows and can thus be understood in the context of such fluidity. Such an approach provides a novel framework for understanding the relationality of the politics of intercity competition (Anttiroiko, 2014a).

Doel and Hubbard's (2002) idea of embracing flows helps to conceive the nature of new economic morphology. Concerning the abovementioned interfaces, we may trace them both to corporeality or *human existence* and *social spaces* that serve as platforms on which sense-making, communication, interaction and transactions relating to flows take place. This implies that we may reach target markets directly as (1) *actors* as reflexive human subjects within their immediate organisational roles and resources or indirectly through target market interfaces which take two primary forms: (2) *activity arenas* or spatio-organisationally defined moments, situations or contexts within which actors express themselves and exchange information, such as fairs, exhibitions, conventions and tradeshow, or through (3) *media* or communicational means and spaces, such as mass media, business and professional magazines, videoconference or social media.

Thus, instead of flows, we may analyse how visitors and tourists *carry* or executives and investors *control* the flows of values. Let us consider human beings as actors who 'carry values with them' and bring them to the places where they visit or settle down (see Figure 6.2). There are four groups of people who are actively engaged in the transnational flows of culture and affect the 'globalness' of a city (Hannerz, 1993, cited in Yeoh & Chang, 2001):

- a Transnational business: high-waged, highly skilled professional, managerial and entrepreneurial elites, usually associated with finance, banking and business services;
- b Third world populations: low-waged immigrants who occupy insecure niches in the unskilled or semi-skilled sectors of the urban service economy;
- c Expressive specialists: people who participate in the cultural scene in areas such as art, fashion, design, photography, film-making, writing, music and cuisine;
- d Urban tourists: temporary visitors who are often present in considerable numbers, attracted by the attractions and special atmosphere of the city.

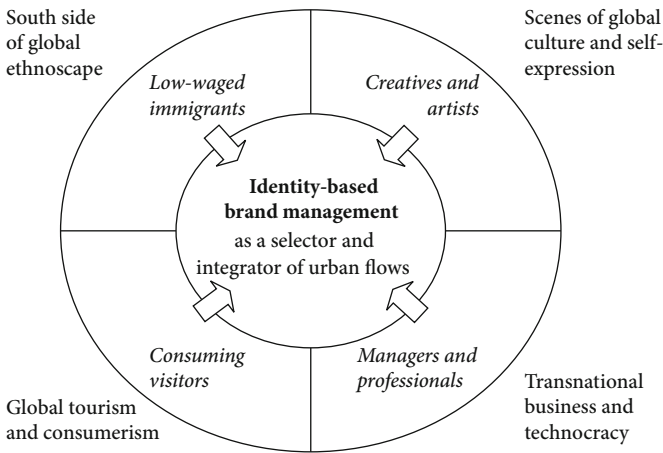


FIGURE 6.2 *Four categories of human flows*

Even this kind of rudimentary illustration show how remarkably different categories we will have if seen from the point of view of local governments and their development efforts. This is not only a matter of target markets, but grows into a global agenda in which discussion about poverty eradication, global solidarity, sustainable development, cream skimming and creative class struggle must be addressed, even more so if a metropolitan revolution (Katz & Bradley, 2013) really takes off and ‘mayors start to rule the world’, as hypothesised by Benjamin Barber (2013).

Considering previously mentioned *activity arenas*, we may associate the aggregations of flows of values with spaces and events that relate to economic sectors, industries or clusters. From the point of view of flow management, it becomes evident that especially marketing channels are vital for understanding the logic of flows, being thus strategic routes to target market interfaces. For example, mass tourism is associated with mass marketing, but resilient business requires continuous changes in the entire value chain that guarantees the satisfaction of large groups of tourists, who have begun to look less and less like ‘masses’ that are satisfied with standard package tours and more like diverse consumers that want mass-customised or even tailored solutions that resonate with diverging trends associated with lifestyle and brand consumption, smart solutions, sustainability and Do-It-Yourself (DIY) culture.

In professionally oriented business with high reputation and brand sensitivity such as attracting high-profile conventions, engaging in creative industries from design to fashion and expanding higher education markets, special attention must be paid to distribution channels, business arenas and selective media presence. For example, in the fashion industry, attention must be paid to wholesale channels, fashion shows and trade events and the examination of the potentials of direct-to-consumer channels, supported by marketing efforts that extend beyond traditional marketing strategies to micro-targeting techniques, on-demand services and, more than anything, interactive digital and new media channels and platforms, which are used to spread the brand story and make it resonate with consumers (see *The Business of Fashion*, 2007). Similarly, in higher education, special attention needs to be paid to a range of activities that reflect the dynamism of higher education market, such as campus design, student attraction strategies, new forms of academic entrepreneurship, reputation building and the management of critical touch points of multichannel marketing. In conventions and MICE industry attention needs to be directed to synergy through collaboration between service providers and intermediaries, coordination in multichannel marketing efforts, smoothness of visitor flows and special role given to trade shows, for example (see e.g. Ateljevic & Page, 2011).

An additional cross-cutting element, *media*, deserves a special place in any discussion about attraction management. We may approach individuals in real life situations without any mediation, and we may participate exhibitions and fairs to meet our potential clients, but an ever larger share of communication is in a way or another technologically mediated. This is how we must, in everyday life, often reach our target markets. Thus, beside actors who carry resources and arenas that gather people from our target markets to some space, the endless combinations of people and their groups are gathered virtually in various media, be it television, business magazine or social media. It is also noteworthy that beyond its conventional use in advertising, broadly defined media includes diverse communicational tools, platforms and systems, which as a whole make up a kind of global mediascape. It projects the images of all kinds of value flows, like a distorted mirror, as well as the cities that may not always recognise themselves from what they see and hear and absorbs them into an immense flow of images and narratives of our worldly reality. And yet, it is another 'space' where the flows have their reflections and where the target groups are to be reached.

## Brand-oriented attraction management

City governments may attract the attention of relevant actors utilising the previously discussed local assets. At the highest level of an assets pyramid, there is *city branding*, which connects with every aspect of the existence of urban community. This is because a city government communicates through its actions and physical environment as well as through communication channels. This aspect becomes clear in Kavaratzis' (2004) three-fold scheme of brand communication. According to him, the image of the city can be promoted through three modes of communication: primary (communicative effects of city's actions), secondary (promotion and advertising) and tertiary (word-of-mouth, social media, external audiences, etc.) (Kavaratzis, 2004). As our approach emphasises economic policy, it refers to the special instance of primary communication, something that the city performs while promoting its economic development, which has connections with the secondary and tertiary forms of communication.

### Economic development brand

The process starts with building an economic development brand for a city, which provides a generic framework for the attraction of flows. Just like any collectively managed process, the city needs to consider its economic development objectives as a part of wider strategic development mission, analyse itself and its economic environment, take a closer look at its target markets and audiences, and work on its brand image. Such a process is anchored on *economic brand identity*, which is an aspirational self-understanding of the city as an economic entity. It builds on the nature of local economy and on city's *industrial profile* in particular, but adds to it an important representational, communicative and aspirational dimension. It is not about the existence of the city in its totality but about the self-perception of the city based on its true qualities designed to serve the building of economic development brand. It answers to the question of 'what is our brand identity in economic terms?' This is a collective process, even if the elected representatives of the city, administrative machinery and investment and tourism promotion agencies play a critical role. Actually, the best policy is to keep the process open and to involve as many people as possible especially in the early phase of the process, as it is an injection against harsh criticism



among local residents and other stakeholders at the later stages of the process. On this basis, the city can identify its brand attributes, formulate its generic brand promise and consider its brand positioning as well as brand communications.

Economic brand identity must be developed together with the overall vision of the city in economic terms, its brand promise – both general and the ones formulated for main target audiences – and brand attributes to tell what the city is like as an economic player. This phase requires that discussion is taken to a concrete level through clear definition of target markets. When we come to more relational sphere of branding process, we have to take into account both brand architecture and alignment as well as positioning. Concerning the former, there is special need to pay attention to brand architecture. The city government must decide, first, how economic development brand relates to master brand and possible other sub-brands of the city (e.g. the City of Hamburg vs. HafenCity; or Tokyo and its districts with distinctive profiles); second, how economically relevant sub-brands relate to each other (e.g. Singapore's tourism brand YourSingapore launched by Singapore Tourism Board vs. design brand developed by DesignSingapore Council vs. the development of Singapore as healthcare hub and other investment promotion programmes of the Economic Development Board); and third, what external brand alignments are used in city branding, if any (e.g. Palo Alto's relationship with the image of Santa Clara County, Silicon Valley and California). A critical part of this process is to consider positioning and differentiation. Brand positioning is supposed to help in placing the city outside of the gravitational field of competitors (Baker, 2012, 106). For example, the city of Oulu in the Northern part of Finland brands itself as the capital of Northern Scandinavia, which blends a creative atmosphere with high technology, entrepreneurship and highly skilled people, the unique culture of a modern seaside town and a vibrant countryside. To make a difference, it should take into account how competing images of cities in the country (especially other high-tech oriented university cities in Finland) and wider region (especially Stockholm as the 'Capital of Scandinavia' and other larger and medium-sized cities in the Nordic region) relate to such a brand and highlight its special features in order to stand out in the eyes of its target audiences (Oulu, 2014). The next step is brand activation and the involvement of stakeholders and brand ambassadors. Such a branding process must be diligently executed and managed, including the measurement of outcomes (Baker, 2012).

### Target markets in focus

Attraction-oriented brand management does not require necessarily particular new forms of branding. Yet the natural emphasis of target groups or target markets and special requirements of related brand communications bring about certain nuances to flow-oriented branding, which deserve a closer look. In city branding, there is usually some kind of magnet effect, ranging from individuals or institutions to local conditions or the image of the city or larger metropolitan area. Such magnets are manifestations of the symbolic capital of the city. The more the factors of such magnetic field are location specific, the more chances the city has to generate and utilise its collective symbolic capital (cf. Harvey, 2012). In fact, at the general level socio-economic gravity is a sum of location specificity, functional benefits of locally utilised magnets and the brand that supports target group’s positive association of the magnet and its immediate urban context. Urban ‘magnetism’ and its relation with target market thinking is outlined in the 5x5x5 magnet model illustrated in Figure 6.3.

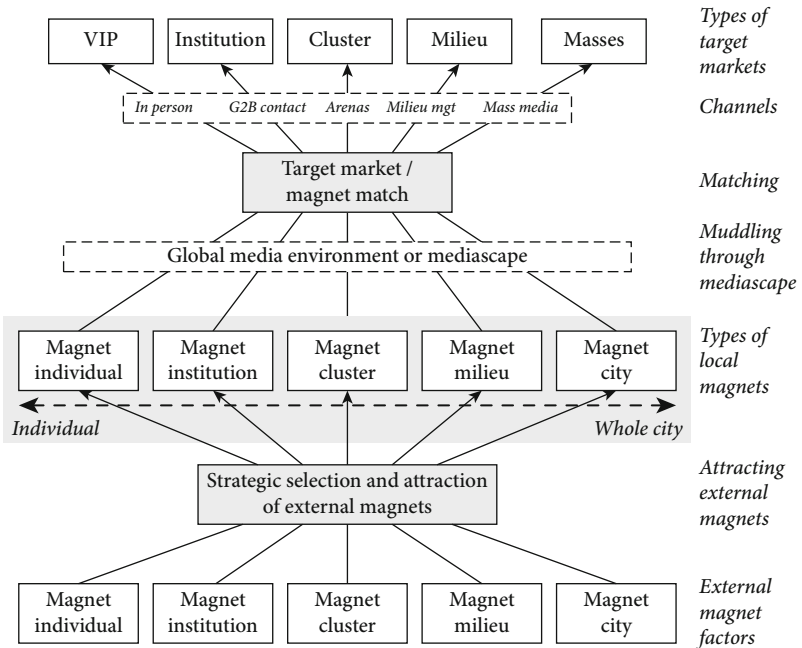


FIGURE 6.3 City branding: typology of magnets and target markets

One of the basic features of such dynamic field is that the city may both utilise its existing magnets and attract magnets from outside the city, which bring benefits through generative interplay. Having a leading IT firm to locate in a particular science park or science city is an example of such an interplay. This was what, for example, Kista Science City in Stockholm pursued in its early years when it was developed as a high-tech industrial park to facilitate and utilise the development of Swedish telecom giant Ericsson (Anttiroiko, 2005). Probably the most illuminating case of the creation and utilisation of urban 'magnetism' is Dubai with its free zone attraction policy. Also, overseas branch campuses of prestigious universities are a good examples of the use of the brand of such universities – Heriot-Watt University in Dubai, Paris Sorbonne University in Abu Dhabi, Cornell University in Qatar and Nottingham University near Kuala Lumpur in Malaysia and in Ningbo in China – in economic development hosted especially by cities in South East Asia and Persian Gulf region. Attraction-wise, magnets should primarily serve to attract specific target markets in order to optimally benefit local economy. *Magnet* symbolises here a kind of special attractor that manifests the brand promise.

As put by Malcom Allan, Managing Director at Place Matters Ltd., cities cannot successfully promote their offer to everyone, everywhere all of the time. They need to prioritise and segment the markets and to retain, to attract and package their offer to each of those markets in ways that will attract their particular interest, in language that they will understand and relate to, to simulate conversations that lead to positive responsive action. There are, in usual case, multiple audiences for city brand offers, and the challenge for city brand managers is to manage multiple messaging by their stakeholders in such a way as to avoid a Tower of Babel effect, with so many messages being communicated that it becomes difficult to hear and understand what is being said. The identification of target markets for place offers has to be firmly grounded in the identification of the attributes of the place as well as a rigorous analysis of the markets that use and access the offers and experiences of the place (Malcolm Allan, personal communication in city branding discussion section in LinkedIn, November 2014). After identification of city's 3As (attributes, assets and attractions) as well as its target market audiences, the next step is to convey a clear message about city's offer to selected audiences (Allan, 2014). Such a process continues with an articulation and activation of the brand (Baker, 2012). Target market

thinking is essential to both brand-oriented attraction management (from flows to brand) as it is to attraction-oriented brand management (from brand to flows). In both cases, we deal with flows of values, which are impossible for a city to manage in their totality and, thus, require clear choice of target markets.

### **Example: innovation milieu as a magnet**

As economy is more and more innovation driven, there is good reason to take a closer look at hectic development in the high-tech sector, in which the preconditions for innovativeness have a critical role to play in location decisions. Thus, rather than being only one-off location decisions, such processes include various forms of interaction and knowledge sharing, which is attracted by such attributes of innovation milieu as the presence of venture capitalists and business angels, start-up culture, entrepreneurial ambience, informal meetings and BarCamps and various kinds of sites for creativity, innovation and knowledge sharing. A high-tech region that is usually referred to as the model of such culture is Silicon Valley in California (See e.g. Lee et al., 2000; Castells & Hall, 1994).

Innovative firms can be attracted to a locality by its infrastructures, the general qualities of manpower, its proximity to a large metropolis offering diverse high-level services and simply by being attractive sites with pleasant climate and living conditions in or close to large cities (Robert, 2014, 148). The creation of an attractive environment for innovation has its roots in the idea of specialisation and knowledge sharing associated originally with the idea of Marshallian industrial district, which in the 1950s in the US and some two or three decades later in Europe developed into new organised spatial forms – technology parks, science parks and business parks – as a reflection of the emergence of the informational economy. In this conceptual field, the idea of *innovation milieu* places great emphasis on the enhancement of the innovativeness of companies located in the area as well as the network structure of institutions to diffuse externally sourced innovations to the local economy (cf. Trippl & Bergman, 2013). This implies that such environments can be created with a view to either endogenous or exogenous growth model. Their ontogenesis differ greatly, as some innovation milieux have evolved spontaneously over a long period of time, as is the case of Silicon Valley, whereas others are a result of the execution of consciously designed innovation

policy, as exemplified by such large-scale developments like Tsukuba Science City, Innopolis Daedeok, Kista Science City and 22@Barcelona. Irrespective of such differences, their ultimate aim is to gain competitive advantage through innovation (see Castells & Hall, 1994).

The new style innovation districts are part of the new script for urban growth. **Barcelona** is a case in point. With strong support from the public sector, in 2000, the city started up a large-scale urban renewal project known as 22@Barcelona, in which the two hundred hectares of industrial district in the area of Poblenou were to be transformed into an integrated innovation district. In less than a decade, 4,500 firms located there, thousands of housing units were built, and linkages to several universities and high-tech clusters were created. What is interesting from the point of view of flows is the attempt to create a new knowledge and innovation hub. After analysing its strengths, the city settled on five economic clusters to pursue: media, medical technologies, ICTs, energy and design. On that basis, the key cluster magnets were identified, i.e. the types of anchor institutions and organisations necessary to create gravitational pull, including universities, institutions, companies, meeting and residential spaces for specific industries, incubators, housing for students and workers and a technology centre to coordinate the entire cluster strategy. It has also been said that the district has benefited significantly from its close proximity to Barcelona Activa, a successful entrepreneurial development programme (Katz & Bradley, 2013, 127–129). The district is itself an important landmark in the city and the urban signature of a new brand, as the Barcelona city government and its partners aim to build their city as the symbol of the 21st century knowledge economy (Slattery, 2010).

In the economic sense, the innovative milieu yields the following advantages to companies (Camagni, 1995):

- ▶ *District economies*: promotion of an ‘industrial atmosphere’ that among others helps firms in their innovation process.
- ▶ *Proximity economies*: reduction of transaction costs and the ‘use cost of the market’ primarily through efficient information circulation and face-to-face contact.

- *Synergy elements*: enhancing local innovation capability through imitation, interaction, public-private partnership projects, involvement of academia and customer-centric operations.

These economic advantages of innovative environments have two kinds of positive effects: (a) reduction of the uncertainty elements in innovation processes and (b) promotion of local or regional collective learning processes (Camagni, 1995; Kolehmainen, 2003). The *milieu* emphasises the openness of territorialised complex that operates within local production system. *Innovation* refers to the novelty in action and the ability of actors in the same area to create new things that have value in and outside the region, thus making innovativeness one of its competitive advantages (Maillat, 1998). *Milieu* is said to be *innovative* when it is capable of opening up to the outside world and gathering there the specific information and resources needed by the localised production system to be innovative or when it generates processes capable of rendering the resources of the localised production systems serving the creation of innovations within new techno-economic paradigm. Innovativeness is ultimately always in one way or another connected with the outside world. What is interesting from the point of view of dynamics of flows is that successful localised production systems usually have specific features or they master one or several particular technologies or design capabilities for specific products (Cortright & Meyer, 2001). The more territorial specificities are based on ‘non-reproducible forms of knowledge’, the more they provide partial shield from competition and contribute to industrial differentiation (Maillat, 1998).

## Brand communication

As city branding must be designed and implemented with target markets on mind, it implies that general publicity is less important than target market’s awareness of city’s special features. As there are various flows to be attracted to a city, from tourists to students and new enterprises, there are target markets of various kinds and different sizes, which makes their identification, assessment and reach challenging. Should the target group be a large and fairly diverse group of consumers, as in the case of mass tourism, promotional activities rely as a rule on mass marketing and the creation of mass consumption brand. If the emphasis is on small target groups or individuals within some industry, for example, branding may emphasise the building of a brand reputation among that target group

and rely on relational and viral branding (e.g. Hulleman & Govers, 2011) or micro-branding (Sawerschel, 2013). If more importance is attached to arenas associated with a specific sector, industry, cluster or niche economies, then branding needs to be built on sector-specific rationalisations and reputation building, which capitalises on industry-specific symbolic processes. In such a case, attention should be directed to the people who participate in key activity arenas, such as R&D networks, business platforms or fairs, or to readers of business and professional magazines. Such people also disseminate industry knowledge and influence decisions through word-of-mouth and business and professional media. Let us next consider basic forms of economically oriented city branding – mass, arena, institution and media branding – that can be used to attract value flows.

First, economic city brand may serve as a general reference point in any interaction and transactions between the city and wider audiences. We may call this *mass branding*. In this context, branding efforts rely on large-scale hard branding, including the utilisation of mass marketing techniques. Such an approach is characteristically about ‘selling the city’ as is usually the case with urban tourism and other post-industrial activities that are aimed at attracting the attention of large international audience. The reputation of the city has a decisive role in determining whether ‘selling the city’ is difficult or easy. In this field, brand basically benefits all the promotional operations of a city which are directed at large audiences at different phases and touchpoints of the consumption process (cf. Anholt, 2010, 91; Baker, 2012). An international brand advertising campaign to promote tourism is a paradigmatic form of such branding.

Second, a large part of city branding is directed at specific industry or a group of institutional actors, such as, say, biotechnology, higher education or fashion. We may call this *arena branding*. This is close to the previous category, but differs from it in that the target audiences are numerically smaller and that it takes place in the complex field of corporations, operators, intermediaries, brokers and other professional organisations involved in the given industry or activity area. It is worth stressing that in the complex world of organisations and networks, industry-specific channels are of vital importance for city branding, as in the case of information technology, media and fashion (e.g. Jansson & Power, 2010), in which access to particular channels dramatically affects the result of branding. The promotion of branded hubs at exhibitions

and fairs or advertisements in professional magazines represent paradigmatic cases for such arena branding.

**Singapore**, a successful city-state and in many respects not only *primus inter-pares* in South East Asia, but also a global benchmark, is a developmental city-state with progressive policies geared to attract talent, enhance local assets and utilise emerging trends in export- and innovation-oriented development policy. In its recent policy lines, its interest in education, healthcare and design are a clear indication of its adaptation to post-industrial conditions. What is striking here is the eagerness of Singapore to secure its long-term economic viability by keenly monitoring global industrial trends, rankings, benchmarking studies and academic discussions and responding to them with smart and determined policies. It has developed continuously toward a service-oriented post-industrial economy, which is reflected in its efforts to become a leading education, healthcare and design hub in Asia. It shows illuminatingly how global flows of values, industrial city profiling and branding relate to each other (Anttiroiko, 2014a).

The third paradigmatic branding mode, which we may call *magnet institution branding*, is associated with selective promotional measures designed to attract high value-adding activities associated with prestigious organisations, large-scale events, or even famous personalities. It thus includes direct activities aimed at some magnet institution or individual, as in the cases of attracting headquarters or financial firms to the city, or when the city promotes the formation of international joint ventures, participates in a bid for a mega-event or mounts campaigns to attract particular firms to benefit from cluster effect. In such processes, brand supports direct interaction with target actors. For the same reason, branding is somewhat problematic, as pointed out by Anholt (2010, 93), as one is addressing a relatively small and well-defined audience of elite clients. It deals with business-to-business (B2B) negotiation not a consumer-style sale. Yet, even in such a situation, good image together with a well thought-out identity and brand promise can be a recipe for success. Thus, government-to-business (G2B) style promotional activities and negotiations seem to make a case for relationship management-oriented branding or micro-branding, in which the



principles and methods of branding are applied to a strategic action and decision-making context. It is actually obvious that the need to focus on micro-branding increases as a function of the increase in the value and strategic importance of the individual decisions of the members of the target group (on the idea of micro-branding, see Sawerschel, 2013) (Anttiroiko, 2014a).

Fourth, tertiary communication emphasises the mediatisation of economic life (Kavaratzis, 2004). This mode of branding, which we may call media, mediascape or *mediatised branding*, is not so much about communication related to consciously designed city brand but about affecting the image of the city in the mediascape, which is largely beyond the control of the brand creator (Anttiroiko, 2014c). It goes without saying that media is inherently involved in brand communication, internationally oriented advertising campaigns as its paradigmatic form, such as the famous 'I Love NY' campaign of New York State, 'I amsterdam' of Amsterdam or 'Asia's World City' brand campaign of Hong Kong. They are examples of a fairly conventional form of secondary communication (Kavaratzis, 2004). The city itself supports its brand through websites, videos, bulletins, news releases and 'city placement' (analogous to product placement), but the other side of the coin is the previously mentioned mediatised environment, of which good examples are feature articles in magazines and city rankings produced by consultants, media, academics or bloggers and published through various media. A new trend in brand communication is based on city-media interplay, as in the case of publishing media content for promotional purposes, as when Singapore, for example, publishes international rankings in its website showing its high rank in economic performance, competitiveness, government performance and the quality of labour (Singapore, 2014). To generalise, advertising cities' high position in global city rankings via government and agency websites and social media has become a norm in internationally oriented city promotion. It is a reflection of a mediatised sphere of intercity competition, in which the city acquires an aggregate image or proto-brand, which is a product of a kind of socially dispersed and un-coordinated co-creation. Many cities that have succeeded in global city rankings, such as New York, London, Dubai and Singapore, have exploited such media publicity in their branding. In this field, city governments may utilise self-promotion, encourage media-oriented brand ambassadors to promote the city and also invite

overseas journalists to the city for a short reconnaissance trip in order to generate feature stories of the city in target magazines and newspapers (Eurocities, 2010, 11).

Mass media-oriented strategies are ‘the other side’ of brand communication in the pervasively mediatised social, political and economic life. Let us take an example of the middle-sized city of **Tampere**, Finland, which in the latter half of 2000s decided to develop its press relations to obtain coverage of the city in targeted magazines and newspapers. As a result, in 2009, the city invited 90 overseas journalists from various magazines, papers, radios and TV stations for a three-day discovery trip. Participants were chosen from countries with direct flights to Tampere, which relates to ‘flow’ thinking through transportation. The costs of this event were shared by the airlines, the Finnish Tourist Board, the Visit Tampere Region Project, Go Tampere Ltd, and some other companies. Such a campaign proved cost-effective, for it is estimated that the city reached theoretically an audience of some 88 million people. More than 73,000 mm of column space was generated in all. The costs to the city of Tampere approached 70,000 euros (some 0.07 cents per contact), whereas purchasing the equivalent media space would have been in excess of 300,000 euros (Eurocities 2010).

# 7

## Concluding Remarks

**Abstract:** *This book provides a picture of new urban management. It is 'new' in the sense that the idea of urban management is built on a new premise, i.e. on cities' need to cope with increasingly fluid economy. Value flows cannot be attracted by infrastructures or amenities alone but require also collective symbolic capital. This is why city branding is a valuable method to any city that has or aspires to have an important role in some industries or niches in the global economy. The new urban management is, thus, a doctrine and practice that focusses on attracting flows of values, such as capital, technological know-how, innovative firms, creative people and tourism consumption, to branded cities in the purpose of guaranteeing resilient vitality and wealth through the maintenance and development of city's transformative capacity. Taming the flows, in turn, is the key to cities' future role as the primary loci of global solidarity.*

**Keywords:** city branding; collective symbolic capital; flows of values; urban management

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This book has painted a picture of the utilisation of flow analytics in brand-oriented local economic development policy. Flow thinking marks a paradigm shift in urban management. We started this journey with a view of local economy as a dissipative structure, which opens a view to material flows that go relentlessly in and out of a city. In order to provide a comprehensive picture of flow thinking, major approaches to flow analysis were briefly introduced. The source of inspiration behind this book is urban political economy and especially the works of Manuel Castells and his idea of space of flows. Another family of flow analyses of great importance to local economic development as it is seen in this book is based on economic theorisations, ranging from mainstream economics to regional analysis and new economic geography. The main contribution of this book is to draw all these strands of theories together into a simple Attractors-Flows-Dynamics framework and build on it a generic flow analysis. Implications to urban management are obvious, starting from the relevance of attractiveness in global intercity competition. In addition, there are many kinds of local assets that can serve as magnets in attracting value flows to a city. On the immaterial side of asset portfolio, there are aspects of urban symbolism that through city branding serve city governments' pursuit of economic growth. This hints that collective symbolic capital is a key to economic success in the increasingly mediated economic environment. Cities should increase and utilise such capital in order to survive in a globalised competitive environment. Such a strategic view is vital for guaranteeing wealth and resilience for urban communities.

The emerging morphology of the new economy that revolves around the space of flows poses obvious challenges to local economic development policy. This book outlines the types of economic value flows, their dynamics, local attraction factors and industry-specific examples of such flows, which depict essential features of the new economic reality. Flow analytics does not translate easily into a brand strategy, however. Rather, it provides tools to put city branding into a new context. First, it offers an analytical perspective on flows that the city can try to attract, which enables focussed economic development policy and provides potential directions for branding efforts. Second, it encourages target group orientation in branding. Third, it gives impetus to reconsidering such aspects of branding as the need for relational micro-branding, city placement, the role of brand ambassadors and the efficient use of brand distribution channels (websites, social media, mobile marketing, trade fairs, etc.) (Anttiroiko, 2014a).

Analyses of flows have a special value in strategy processes in which cities make choices regarding industries, clusters or niches they want to focus on in their economic development policy. This is a relational endeavour in the sense that cities need to consider their strengths and opportunities in a competitive field in which other cities present persuasively their own strengths as well. Such positioning helps to identify and build on cities' competitive advantages in the given markets. This leads to a nuanced context for branding, in which there is need to identify the *key actors* who control targeted flows – including both individual consumers such as tourists and the representatives of institutional players such as CEOs or conference organisers – and *arenas* in which such actors meet or share information, such as trade fairs, fashion shows or major magazines in the given industry (Anttiroiko, 2014a). The role of industry-specific channels in branding is of particular importance, especially in fashion, design and similar 'soft' industries that are brand sensitive and rely on a strong professional orientation. Sometimes a single activity, institution or a person may offer magnet effect of significant economic value, as evidenced by such magnets as Google's corporate headquarters complex Googleplex in Mountain View, California; University of Cambridge in the UK; Tate Gallery in London; Walt Disney World in Orlando; Picasso Museum in Barcelona; Strawberry Fields memorial to John Lennon in Central Park, NYC; 'Sex and the City' film locations in Manhattan, NYC; Golden Gate Bridge and its vicinity in San Francisco; the festival of San Fermin in Pamplona, Spain; or Tomorrowland in the last weekend of July in Boom, Belgium. Magnets can be recognised from both ends of the dissipative structure: branded local magnets can be used to attract flows, and magnets outside the city can be attracted to the city in order to utilise their social gravitational pull in local economic development, as when attracting an overseas branch campus of a prestigious university to a city. In the latter case, brand value can help attract the magnet to a locality, but it is equally important to utilise such a magnet in economic city branding, as has become evident in the case of hosting major events, such as the Olympic Games (see e.g. Gold & Gold, 2008). Beside these, a vital aspect of the current development in the world of brand communication is *mediatisation*, emphasising among other things the critical role of the mass media and social media as partly untamed branding channels (Anttiroiko, 2014d).

The dynamics of the fluid economy has its own sources of growth. It seems that the factors of growth develop over time, and we are

witnessing the coming of new, systemic and symbolic sources of growth. The issue is not the availability of fertile soil and ability to cultivate it nor the provision of energy or streamlining industrial processes but something more 'social'. Entrepreneurship, social capital and human capital have been recognised for decades as important factors of productivity, innovation and growth, followed by Richard Florida's (2002a; 2003) idea of creative capital as an additional nuance in the process. Now, flow thinking provides both new opportunity windows and new explanations. Growth is increasingly emanating from economic reconfigurations, dynamic interdependencies and synergising arenas. They go beyond any conventional asset a producer might have to relational assets that, when shared, can bring benefits to any party involved. Yet the picture goes beyond such network logic to even more dynamic and dispersed value creation processes, which bring about micro-functionalities and niches of pleasures and fascination (Lash & Urry, 1994; Schmid, 2009) that are valued by both tiring markets in the West and growing markets in the East. Urban governments' attempt to deal with such new condition can be largely explained by their pursuit of creating and utilising their collective symbolic capital as an analogy of monopoly rent as the object of capitalist desire (Harvey, 2001, 409). If the recent global developments and the neoliberal city as its urban expression have increased social contradictions and shown little evidence for the claim behind the 'global growth machine' that we all benefit from global division of labour, low taxation and minimal social security, the emerging economic morphology contains seeds of hope. One of the instances of hope is a city, as prophesied by Barber (2013) and Katz and Bradley (2013). In the big picture of political economy, local governments are intermediary players or institutional brokers between capital and local civil societies. They can become, however, more than what structural theorisation may imply, should they be ready to cease the opening opportunity to become hubs of the flows of wealth that through their inclusive logic and stewardship maintain themselves as human-scale places for people to live and interact. This mission gains support from a prevailing trend in global capitalism in which culture and the sense of place are becoming important for the capital itself (Harvey, 2001; 2012).

Thinking of the future of cities may evoke a voluntaristic, adventurous and imaginary side of urban development, the futuristic view of living under the sea or in the space, the mundane vision of a smart city, and the real life cases of global cities like London, Dubai, Shanghai or

Barcelona. Such a discourse has its appeal but is at the same time self-deceptive. While considering the future of cities, there is need to keep in mind several compelling questions that counterpoise the endless quest for the realisation of commercialised urban dreams that are supposed to pave the way for local – and through an invisible hand also global – prosperity. For example, as put by Gottdiener (1996) some two decades ago, is the world dominated by themed and festivalised global cities that waits for us at the end of the road of the commodification of everything? An equally compelling question is, what kind of ‘urban dreams’ we can afford globally in terms of ecological sustainability? Fundamental questions like these may at some point start to sound alarming, eventually undermining faith in the blessings of competition and market mechanism, including their expressions in the urban management, referred to as boosterism, urban entrepreneurship or global intercity competition.

Indeed, our time is hardly characterised by optimism, faith in the future or existing urban utopias. Rather, we face the challenges of urban development in the atmosphere of global crisis (Caprotti, 2015). Such a historical situation compels us to reconsider what global intercity competition, local economic development and city branding really are and what they should be about. Even if this book focusses on such a narrow aspect of urban management as attracting value flows to branded hubs, this does not mean that the big picture should be looked at through the eyes of an internationally oriented speculator. On the contrary, excessive instrumentality at the global scale is likely to cause total failure in urban management. Thus, even if this book has emphasised global competition between cities, *competition* itself is not perceived as the condition for efficiency that necessarily leads to desirable outcomes. Rather, intercity competition is the fact of life in the urban world, and this book has taken such fact into account when considering the branding challenge faced by city managers. The question is, are there some other ways of organising the world than what we do now without losing the entrepreneurial spirit that brings benefits to people and business and contributes to the efficiency in the allocation of resources? Similarly, *local economic development*, another key theme of this book, must be put into context. It should not override concerns of equality, social inclusion and welfare for the needy. In this book, such aspects are not explicitly discussed in the context of global solidarity, for example, but brought to a more narrow context, that of the condition of post-industrial city. It diverts attention to an issue in which economic and social aspect intersect, the

local economic restructuring, which is a matter of life and death to many greying 'laggard' cities in the Western world. And lastly, the relevance of place marketing and branding has obviously increased as a result of increased competitiveness and related hegemonic discourses (Oatley, 1998; Sum, 2010). Branding should not, however, be a professional game of top politicians, city managers, local developers and brand consultants, but a chance to launch a community-wide discursive process to build local brand identity; to include people in the creative process of defining the city brand and realising its potential; and to keep the process genuinely open, transparent and multivocal even if it implies that such process brings about challenging and centrifugal forces within the urban community itself (Anholt, 2010; Nyseth & Viken, 2009; Anttiroiko, 2014a).

A city as a hub emanates from the global flows but has a potential to resurge as the space of hope. This, ultimately, is the higher goal we may set to ourselves in a globally urbanised world, in which cities need to become 'global' in order to tame the flows, so to speak, and yet to value, enrich and nurture the 'local' and show the kind of inclusiveness and solidarity that is more an issue of immanence than jurisdiction, that gives our cities the kind of human touch that is needed to make the prophecy of the coming of the age of cities desirable.



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