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Salvatore J. Babones, Christopher Chase-Dunn

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Christof Parnreiter
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7. Networks and chains
Global cities, global commodity chains and the geography of core-ness in the capitalist world-system

Christof Parnreiter

Introduction

World-systems analysts have always been guided by a concern with the ways in which uneven development is organized. It is therefore no surprise that two of the main globalization literatures, which aim at scrutinizing the structures and the *modus operandi* of the world-economy, have been engendered by world-systems analysis: global commodity chain and global city research. In the former, the world-systems analysis legacy is direct. Departing from the insight that the unit of analysis is a key strategic research decision, Hopkins and Wallerstein conceptualized the world-economy as cross-border, firm-based transactions rather than as inter-state transactions. They “invented the term ‘commodity chains’ to underline a basic process of capitalism: that it involved linked production processes that had always crossed multiple frontiers and that had always contained within them multiple nodes of controlling labor. Further, we believed that a close study of such chains would indicate how and why surplus-value was distributed among its appropriators, and hence explain how the system of ‘unequal exchange’ worked in practice” (Wallerstein 2000: 221).

In global city research, the legacy of world-systems analysis is less direct (probably because the city has been ignored by many world-systems analysts). While some early contributions to the global city debate did embed their research into world-systems analysis, it was largely absent from Sassen’s work on that topic (Sassen 1991). She did, however, reject the nation-state as a “naturally given” unit of analysis. This idea is also central to Taylor’s (2004) examination of the world city network, which is defined as an interlocking network in which the relations between world cities are created by the intra-firm flows in the producer service sector (comprised by financial, legal, consulting, insurance etc., services). These services are crucial to global city research, because they are seen as key instruments for the management and control of the cross-border flows that characterize the world-economy (Sassen 1991). Building on world-systems reasoning about core-periphery relations, explorations of the world city network have defined producer services as core activities and world cities as places where these are located (Brown et al 2010; Taylor 2004).

Yet, despite their common theoretical background, the two literatures have developed with little cross-referencing. This mutual unawareness is unfortunate, because it is only through
integration that the limitations of each research strand can be overcome. I maintain that integrating global commodity chains with global city research can improve world-systems analysis by illuminating the geographies of core-ness.

Limitations and ways to overcome them

The literatures on global commodity chains and on global cities are amongst the most effective tools for a critical analysis of contemporary globalization. While it is beyond the scope of this paper to enlist all their insights, I shall briefly outline some of their weaknesses in order to expound how and why integrating the two literatures will advance our understanding of uneven development (for more detailed accounts and references see Brown et al 2010; Parnreiter 2010).

As regards the global commodity chains approach, a first limitation is the poor assessment of the chains’ geographies. Although the critique that “despite the spatial connotations of the concept, there has been little work on systems of provision from a geographical perspective” (Leslie and Reimer 1999: 403) was raised more than a decade ago, and despite some recent efforts to fill the void (e.g., Hughes and Reimer 2004), spatialized analyses of commodity chains are still rare. Due to this deficit, two of the three dimensions identified by Gereffi (1994: 96–97) as being constitutive for this research field remain underexplored: we know little about the territoriality of commodity chains, and our understanding of input–output structures of value-adding activities is constrained by the lack of information on the geographies of these input–output structures. Even in the case of the best explored dimension—the governance of global commodity chains—the question of where governance is exercised is commonly reduced either to an identification of so-called headquarter-cities or to a discussion of the different types of the lead firms’ power and their impacts on upgrading. A second main shortcoming is the limited scope of analysis. Most studies have explored primary goods or industrial commodities, while the service sector has been treated only marginally. Producer services in particular have barely received attention. This is a significant omission with conceptual repercussions, because “without the integrating and coordinating function fulfilled by services, global commodity chains would not be viable” (Rabach and Kim 1994: 123).

As regards global city research, one main shortcoming is that many studies are devoted to major cities in high income countries, while the nodal functions of cities in middle or low income countries have received as little attention as have the connections between global and non-global cities. It is a significant void that the analysis of connections between cities has not transcended the scale of the world city network, which in 2008 comprised 129 Alpha, Beta, and Gamma World Cities. While Alpha world cities are, due to their sizeable and globalized cluster of producer service firms, “very important” to link major economic regions and states into the world-economy, Beta World Cities are “important” in that respect and Gamma World Cities either articulate smaller regions or states (GaWC 2010). Certainly global city studies need to address these leading cities and their interrelations, because it is from there that the world-economy is managed and controlled (Sassen 1991). Yet, it is equally important to grasp the many links between the global and the countless non-global, but yet globalized cities. I understand these to be the countless cities around the world that are shaped by their role to produce for global markets, but which have no management or control functions. Ciudad Juárez in Northern Mexico, for example, has been thoroughly shaped by the automotive, computer, and electronic industries located there, though the “city” has no hand in the governance of these chains. Thus, if the basic idea of a global city is that it articulates local, regional, and national economies into the world-economy (Friedmann 1986; Sassen 1991) then global cities are not only mutually constituted, as stressed by Taylor (2004). Rather, the world city network is built upon ramifications that link global cities to the
many “ordinary cities” (Robinson 2006; for an assessment of Robinson’s critique of global city research see Parnreiter 2011), where much of the low paid work is supplied that is as vital to the reproduction of global capitalism as is the provision of high-paid producer services.

To support the contention that the shortcomings of both literatures can be overcome by integrating global commodity chains and global city research, I will briefly turn to a case study. In the last three decades, productive capacities in Mexico (e.g., in the automotive and electronic industries) have been transformed into export platforms that serve the United States and Canadian markets. This deep integration of plants and cities in Mexico into global production networks has been analyzed by a number of authors who applied the global commodity chains (or a related) paradigm. While these studies offer many insights, the aforementioned shortcomings of global commodity chains research are also evident.

In the case of automotive chains, for example, producer services are widely ignored, except a brief reference Lee and Gason (1994: 235–36) make to advertising expenses. The authors, however, do not treat advertising as an essential component of the automotive chain, nor do they examine wherefrom it is supplied. The second main objection—the limited geographical assessment—also applies in this case. Most studies think of space as a container (either “Mexico” or specific cities) which is “filled up” with the automotive industry. Additionally, geography comes into play as physical distance or, more precisely, as the cost of overcoming it. In sum, the geographies of input-output relations within the automotive industry are at best cursorily addressed. We lack hence a spatialized analysis of the integration of different labor processes into the chains, and that is why the studies fail to comprehend the complexities of the geographies of core- and periphery-forming processes along the automotive chains in Mexico.

Before addressing how global city research can mitigate this deficit, I will briefly delineate global city formation in Mexico City. Since the 1980s, when the economy in Mexico was once again being reoriented toward the world market, Mexico City underwent a deep transformation, which is characterized by a concurrent decline of manufacturing and the rise of producer services. Concomitant with the growth and concentration of producer services in the country’s capital, the headquarters of the main companies operating in Mexico have become ever more centralized in Mexico City (Parnreiter 2002, 2010). In addition, Mexico City’s producer service sector is firmly inserted into the world city network, which is what makes Mexico City an “Alpha-World City” (GaWC 2010). Mexico City has thus been changing from a predominantly national production center, catering to and integrating the domestic market, to a hinge between economic activities carried out in Mexico and the world market.

Now, why should integration of global city and global commodity chains research mitigate the deficits of each literature? To begin with, I contend that the voids left by the research on the Mexican segments of global automotive chains can—at least to a certain extent—be filled by resorting to the core ideas of global city research. Firstly, this literature draws attention to producer services. For example, the Mexico City offices of the “Big Four” global accountancy firms (Deloitte, Ernst & Young, KPMG, PricewaterhouseCoopers) provide various services for automotive companies (Deloitte works for GM, Ernst & Young for Nissan, KPMG for Chrysler, PricewaterhouseCoopers for Volkswagen, Ford and Grupo Carso, a Mexican agglomerate that amongst other things produces auto parts). In legal services, the Mexico City office of Holland & Knight, one of the biggest law firms worldwide, has worked, among others, for Toyota, Volvo, Grupo Carso, and for the global electronic company Jabil, which supplies the automotive industry in Mexico. Thus, a “side glance” at the global city research would help commodity chains analysts to comprehend that the automotive industry in Mexico makes use not only of peripheral labor processes, but also of core activities such as producer services, which are supplied not from one of the new industrial cities, but from the country’s capital.
It therefore becomes clear why integrating global city research into global commodity chains analysis also helps to overcome the second identified weakness of global commodity chains research, namely the poor treatment of the chains’ geographies. The aforementioned examples draw attention to specific inputs into the automotive chains and to the particular places wherefrom these inputs are provided. In other words: the forward linkages of global producer service firms to companies in automotive chains can be spatialized as service flows from clearly delineated “global city spaces” within Mexico City to cities like Hermosillo, Saltillo, Puebla, Aguascalientes, or Toluca, where the plants for export production have been built. Though this spatialization of one particular sequence of the value-adding chain is, of course, not the “whole geography,” the example refines our geographical knowledge, demonstrating that the automotive chains running through cities in central and Northern Mexico also run through Mexico City. In summary: because producer services are provided in Mexico City to the automotive industry, the city is a critical node in all these chains. Due to this input of core activities in chains that in general rely on “cheap labor power and imported inputs,” (Dussel Peters 2008: 24), Robinson’s (2006) critique of global city research can be countered thus: yes, Mexico City is on the map of global cities, and it is there because firms in Mexico City contribute to the fulfillment of global cities functions.

Firstly, the service flows from firms in Mexico City to companies in other Mexican cities, which operate in various global commodity chains that emanate, run through or end in Mexico, contribute to the management of these production networks. They also contribute to the second main global city function, namely the governance of these chains. Mexico City is the center of governance for production networks within Mexico and for the few global commodity chains emanating from Mexico. As regards influences on value creation and distribution within the “Mexican segments” of other global commodity chains, the scope of influence of “Mexico City” (i.e., of local affiliates of TNCs and local offices of global producer service firms) is, however, restricted, namely to issues such as taxes, labor laws, and unions, where the need for in-depth knowledge of local conditions is required (Parnreiter 2010).

As to the aforementioned critique that global city literature “privileges” a few cities in high-income countries, the broadening of research to a place like Mexico City certainly represents an advancement. This is, however, not sufficient, because the thesis of global city formation remains an assumption as long as there is no evidence for connections reaching from the global city sectors in Mexico City to all the Mexican cities where “material” production for the world market is carried out. Put differently: a high concentration of producer services does not per se make a global city. As Sassen has frequently indicated, it is only a city’s capacity to export headquarter, financial, legal, and other producer services which points toward capabilities for servicing and controlling global operations of firms. Yet, if it is critical to empirically identify such city-to-city service flows, then it is obvious why integration with global commodity chain research is beneficial: the consumers of producer services are companies that need financial, legal, auditing, and other services in order to sustain their operations in the different global commodity chains they are integrated into. Bringing the perception of global commodity chains analysts closer to global city researchers allows the latter to grasp that global cities articulate regional, national, and international economies because they are service nodes in numberless commodity chains. Therefore, global city formation takes place precisely because—and only because—these cities are linked through the export of producer services to all the other places, where non-core activities (e.g., the assembling of auto parts) are carried out.

The conclusion derived from the empirical analysis of global commodity chains and global city formation in Mexico bear important analytical implications that go well beyond an accurate geographical description of production networks. In particular, the finding that core-forming labor processes are supplied from Mexico City points to the need to resume the debate on the
geography of core-ness in the world-system and to deepen it. The most appropriate way to do that is bringing cities back into world-systems analysis (Smith 2003), and, above all, bringing global city and global commodity chains research together.

**Specifying the geography of core-ness**

In world-systems analysis, “core” and “periphery” result from divisions of labor, which split up production processes into distinct segments that are assigned different valences (expressed in a differentiated share in the whole value-adding process). For Wallerstein (2000: 139–140), the decisive factor in this unequal distribution of the accumulated surplus is that some producers manage to “achieve various kinds of temporary monopolies.” The important point here is that this social division of labor goes along with geographical division of labor. Core and peripheral processes are neither evenly nor randomly distributed. Because producers in some places are for several reasons more successful in establishing and defending monopolies than producers elsewhere, the geography of core-periphery relations is highly uneven, split into places where core activities are concentrated and places where peripheral activities predominate (Brown et al 2010).

Due to their relative monopolization, core activities are rare and highly demanded by producers in many different commodity chains. Accordingly, many commodity chains coalesce in the places where core activities cluster. This idea allows us to conceptualize what in geographical terms makes a center: “[S]ome areas appear as cores or centers, in virtue of the many relational sequences leading from or to them, while others appear as the hinterlands of these centers in virtue of the small number of relations leading from or to them and locating them as arenas of world-system activities.” (Hopkins and Wallerstein 1977: 114) After having introduced the concept of commodity chains, Wallerstein (1983: 30) specified that “commodity chains have not been random in their geographical directions. Were they all plotted on maps, we would notice that they have been centripetal in form. Their points of origin have been manifold, but their points of destination have tended to converge in a few areas. That is to say, they have tended to move from the peripheries of the capitalist world-economy to the centers or cores.”

Yet, Wallerstein did not elaborate what was precisely meant by “zones” or “areas.” This sketchiness in his geographical diction is astonishing, particularly in the light of his plea to carefully consider the unit of analysis. The fact that Wallerstein did not expand on the role of cities in the organization of uneven development is particularly striking considering that by the time world-systems analysis was introduced, Andre Gunder Frank had already put forward a *spatialized* concept of the “development of underdevelopment”: “Just as the colonial and national capital (…) become the satellite of the Iberian (and later of other) metropoles of the world economic system, this satellite immediately becomes a colonial and then a national metropolis with respect to the productive sectors and population of the interior. (…) Thus, a whole chain of constellations of metropoles and satellites relates all parts of the whole system from its metropolitan center in Europe or the United States to the farthest outpost in the Latin American countryside. (…) we find that each of the satellites (…) serves as an instrument to suck capital or economic surplus out of its own satellites and to channel part of this surplus to the world metropolis of which all are satellites” (Frank 1969: 6).

Unfortunately, this very lucid account of the role of cities in the making of uneven development found little resonance in world-systems analysis (see Smith 2003: 114 for this “short history of a promising perspective”). Nevertheless, it deserves little fantasy to grasp how well Frank’s hint at cities matches up with Wallerstein’s notion that commodity chains come together in the “centers.” What Frank suggests (unfortunately without empirical backing) is, firstly, that the transfer of resources along commodity chains is organized in cities. Secondly, he evokes that this
organization of uneven development is not accomplished from a limited number of core cities. Rather, Frank insinuated that the transfer of resources is based on innumerable connections between cities of different size, importance, and reach. This is exactly what has recently been proposed more elaborately by Parnreiter (2010) and by Brown et al. (2010: 29), who argue that the “creation and (unequal) distribution of value along commodity chains is organized in and governed from world cities.”

This brings me back to the aforementioned question as to why core activities cluster in a limited number of places, and to the related question of why these places are cities. If core-ness is the result of the successful formation of (temporary) monopolies, then the question of what kind of entry barriers can be erected in order to keep potential rivals out becomes critical. Wallerstein (1999: 63) refers primarily to the state: “What are the services that capitalists need of the state? The first and greatest service is protection against the free market.” In a free market, high profits at a specific node in a commodity chain would attract further entrepreneurs, whereby competition would be increased and profits decreased. A free market is, thus, an adverse environment for the maintenance of monopolies. Among the things a state does to protect its “own” producers are legal constraints (e.g., patents, import/export prohibitions), direct or indirect (e.g., for infrastructure) subsidies, the offer of not paying certain costs (e.g., pollution) and, last but not least, the deployment of direct violence. Though the recent state interventions to save big business from the effects of the crisis 2008/9 have proven Wallerstein correct that the “state still matters—to the entrepreneurs above all” (ibid.: 75), it is important to emphasize that the state is not the only unit and scale that matters with regard to entry barriers. The contention here is that cities are key places for keeping potential rivals out, because important entry barriers are intimately related to cities.

A first city-related entry barrier exists where producers need access to capital intensive infrastructure. Harvey has frequently highlighted that capital accumulation is based not only on the mobility of capital (i.e., on overcoming distance), but also on the production of space. It is therefore that “capitalism creates a physical landscape of roads, houses, factories, schools, shops, and so forth in its own image” (Harvey 1985: xv). Yet, because this physical landscape is expensive, its elements are sensitive to economies of scale and, consequently, clustered at specific places, namely cities. According to Harvey (ibid.: 190), it “is impossible to imagine such a material process [the circulation of capital, C.P.] without the production of some kind of urbanization as a ‘rational landscape’ within which the accumulation of capital can proceed. Capital accumulation and the production of urbanization go hand in hand.” Cities are thus seen as resource complexes of socially created assets, which support production, consumption and hence further accumulation: “The stock of fixed capital and of consumption fund assets does (…) provide a solid form of wealth that can be used to produce and consume more wealth” (ibid.: 144).

If access to capital intensive infrastructure is a decisive factor governing whether or not a firm can incorporate itself into commodity chains, then Harvey’s line of reasoning suggests that the entry barrier “control over capital intensive infrastructure” has a specific geography. Because producers in cities can rely on infrastructure provided by others (the national and/or local state), they enjoy advantages vis-à-vis non-urban rivals. Yet, the more capital intensive the infrastructure is, the fewer cities will provide this advantage, and the more competitors will be excluded from commodity chains. Monopolization, which results from controlling expensive infrastructure, is thus bound to specific cities.

A similar point can be made regarding innovative capacity. Rather than dealing with the question of how important innovation has historically been to the (geographical) shifts of the centers of the world-economy (for different accounts see Modelski and Thompson 1988; Arrighi 1994), I am concerned here with the issue of why some producers in some places are more efficient than others in launching what Schumpeter (1987 [1934]) called “new combinations.”
Similarly to Harvey (though departing from a different theoretical origin), Jacobs has argued that cities are the drivers of economic growth because of the greater incentives to address ever new problems resulting from size and density: “[T]hese grave and real deficiencies [of cities; C.P.] are necessary to economic development and thus are exactly what makes cities uniquely to economic life” (Jacobs 1970: 86; emphasis added). Cities are vibrant because they face continuous challenges, and the resulting innovative capacity is what distinguishes them from towns and rural areas: “[A]t the core of all processes of city growth is this root process … [of] adding new kinds of work to other kinds of older work” (ibid.: 50–51).

The important point here is the relationship between innovations (“adding new work”) and monopolies. In his attempt to “wed” Jacobs’ theorizing of city-ness with world-systems analysis, Taylor (2006: 1987) highlights that the search for “new work” is driven by the promise of extra-profits that accrue to innovations: “New work is not available to competitors; it is in innovation monopolies where the largest profits are made.” From this reading of Jacobs’ work, a similar conclusion to the one drawn above may follow. There is a specific geography of innovations, because entrepreneurs in Jacobs’ “dynamic cities” will breed more of Schumpeter’s “new combinations” than their competitors in less vibrant cities, towns, or rural areas. Conversely, the literature on product life-cycles suggests that a product that moves toward standardization creates less technological rent and is therefore shifted to peripheries. Otherwise, cities/regions that stick to this standardized product will descend to peripheries. In sum, monopolization, which results from innovation, is as bound to specific cities as is monopolization developed from access to capital intensive infrastructure.

In brief: monopolization of economic activities—and hence core-ness—is in many cases a city-specific process. Accordingly, many commodity chains coalesce in cities in search of these rare core labor processes, and that is why cities constitute the centers of the capitalist world-system. This does not mean that “city” is the only adequate geographical scale for defining centers (the deployment of direct violence to protect entrepreneurs against competition is, for example, strongly related to the “national territory,” even if entrepreneurs are clustered in cities). Nor does it mean that “city” refers exclusively to global cities. Global commodity chains are sustained through the inputs of various core labor processes, of which some—namely producer services—are supplied from global cities, whereas others (e.g., Research & Development) might stem from other cities.

Concluding remarks

In this article, I have argued that integration of global commodity chains and global city research is needed in order to overcome the weaknesses of each of the research strands. Summarizing the arguments put forward here, my first assertion is that all commodity chains run through global cities, because they necessarily include those core-formation processes (producer services) which are produced and traded in global cities. From this follows, secondly, that each global city constitutes a node for numerous commodity chains. This multi-nodal function is the reason for the overall centrality of global cities in the world-economy. Thirdly, I contend that all cities are connected via global commodity chains to the world city network (even if their own input into the chains is constituted by peripheral labor processes), because cities are unavoidably integrated into commodity chains (e.g., city–hinterland connections and/or inter-urban flows), and because all commodity chains run through global cities (see above). It results, fourthly, that the World City Network is built upon ramifications of operations across different scales through macro-regional and national to local.

My second main contention is that integration of global commodity chains and global city research is apt to deepen our understanding of the geographies of core-ness in the capitalist
world-system. Though I totally agree with Smith (2003: 113) that “it is so important to bring cities and urbanization back into world-system studies,” Frank’s claim suggests the need to specify this call. Frank (1969: 6) did not point to cities in general, but to those cities that serve as instruments to suck economic surplus from one place and to channel it to another. If global cities are “highly concentrated command points in the organization of the world economy” (Sassen 1991: 3) which have the “capacity to create the means of control of value creation and distribution and the power to deploy them” (Brown et al 2010: 29), then it becomes obvious that they constitute the nodes wherefrom the “development of underdevelopment” is governed.

References