



**Global Cities and the Geographical Transfer of Value**

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3 **Abstract:** The central argument of this paper is that global cities are, due to their clustering  
4 of producer service firms, critical governance nodes in global production networks. More in  
5 particular, the paper scrutinizes the role of producer service firms in uneven development  
6 and, especially, in the geographical transfer of value (Hadjimichalis, 1984). Because the  
7 direct as well as the indirect mechanisms through which value is transferred geographically  
8 require the intervention of producer service firms, global cities can be theorized as  
9 governance nodes for centripetal wealth transfers along global commodity chains.  
10 Moreover, and in the context of the persisting criticism that the global city concept has a  
11 bias towards Northern / Western cities, the paper argues that the claim that global cities are  
12 critical places for the organisation of uneven development also holds for cities beyond ‘the  
13 usual suspects’. Referring to cases of how producer service firms in Hamburg and Mexico  
14 City erect entry barriers to protect their clients from competition and of how they shape  
15 labour relations at the expense of employees, I have maintained that governance is, as  
16 Sassen (2010, p. 158) has argued, indeed “embedded” into the services provided. From that  
17 follows that even ‘minor’ global cities are strategic governance places from where the  
18 transfer of wealth towards the centres of the world economy is organized.  
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22 **Keywords:** geography, Western Europe, Central America, economic development,  
23 governance, Global Cities , Global Commodity Chains , Uneven Development , Producer  
24 Services , Geographical Transfer of value  
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## 28 Introduction

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30 The aim of this paper is to deepen an analysis, which in my view is central to the global city  
31 concept<sup>1</sup>, but which has not been elaborated satisfactorily since the publication of Sassen’s  
32 *The Global City* in 1991. I argue that, although the title of Sassen’s book suggests otherwise,  
33 the global city model is primarily *not* about urban theory. Rather, authors who have  
34 developed the concept such as Hymer (1972), Cohen (1981), Friedmann and Wolff (1982),  
35 Friedmann (1986) and Sassen (1988, 1991) were concerned with the role of specific cities in  
36 the organisation of economic globalisation, and not (primarily) with cities themselves. As  
37 Sassen (2016, p. 100) recaps: “When I first began my research on the global economy I was  
38 not thinking cities at all”. It is, thus, fair to say that the global city model has been developed  
39 as an *economic* geography concept to comprehend the role of specialized economic actors in  
40 certain cities: “The key indicator of global city status is whether a city contains the  
41 capabilities for servicing, managing, and financing the global operations of firms and  
42 markets” (Sassen, 2001, p. 359). More in particular, global cities are conceptualized on the  
43 basis of their capabilities for the ‘command and control’ of the world economy.<sup>2</sup> The concept  
44 thus aimed to understand the role of producer service firms (henceforth PSFs) clustered in  
45 global cities in the organisation of the *uneven* relations underlying economic globalisation.  
46 The global city concept has therefore been, as Sassen (2001, p. 351) reiterates in the second  
47 edition of *The Global City*, developed as a theory “attuned to questions of power and  
48 inequality”.  
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52 The call to understand the novel geographies of economic power and the functions which  
53 global cities assume in it, was, however, more programmatic claim than lived research  
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56 <sup>1</sup> When alluding to the general debate, I stick to the term ‘global city’. Otherwise I adopt the terminology of the  
57 authors I refer to.

58 <sup>2</sup> The wording ‘command and control’ has become a kind of synopsis for the global city concept, although to my  
59 knowledge Sassen never used these two words in combination.  
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3 practice. Already in 1986, in a comment on the then emerging global city literature, Roberts  
4 (1986, p. 459; original emphasis) criticised that “there is not enough emphasis [...] on *how*  
5 cities and the classes within them achieve control over other regions”. 30 years and  
6 thousands of publications on the subject of global cities later, one must admit that this  
7 criticism is still valid. Though studies substantiating that global cities are organisational and  
8 power nodes in globalisation exist (Rossi *et al.*, 2007; Jacobs *et al.*, 2011; Parnreiter, 2010;  
9 2015; Hanssens *et al.*, 2012; Jacobs, 2014), we have not advanced satisfactorily in  
10 understanding the role of global cities in the exercise of economic power, because (too)  
11 much of the literature has either dealt with measuring the connectivity of world cities or  
12 focused on urban phenomena related to globalisation (Acuto, 2011; Parnreiter, 2013;  
13 Derudder and Parnreiter 2014).

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16 Against this backdrop, this paper seeks to make two contributions. The first goal is to deepen  
17 the examination of the role of PSFs in global cities in the organisation of economic  
18 globalisation and, in particular, in the making and reproduction of uneven development. To  
19 specify this analysis, I make three moves. Firstly, I use the related concepts of global  
20 commodity chains, global value chains and global production networks<sup>3</sup> (henceforth GCCs,  
21 GVCs and GPNs) to denote what is meant by ‘world economy’ or ‘globalisation’. This is  
22 appropriate not only because such networks form the world economy’s backbone, but also  
23 because the respective literatures’ interest in uneven development (Gereffi and  
24 Korzeniewicz, 1994; Henderson *et al.*, 2002; Dicken, 2011; Coe *et al.*, 2008; Bair, 2014; Yeung  
25 and Coe, 2015; Werner, 2016) overlaps with key concerns of global city researchers.  
26 Secondly, I borrow the governance concept of the GCC literature (Gereffi, 1994) because its  
27 actor-focused perspective on asymmetrical power relationships is apt to substantiate the  
28 notion of ‘command and control’, which is only vaguely defined in the global city concept.  
29 Thirdly, I refer to Hadjimichalis’ (1984; 1987) concept of the “geographical transfer of value”  
30 (henceforth GTV) to analyse uneven development in GPNs. Conceptualizing global cities as  
31 *governance nodes* in GCCs (Parnreiter *et al.*, 2007; Brown *et al.*, 2010), I seek to scrutinize  
32 the role of PSFs in global cities in such centripetal wealth transfers.

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37 The second contribution I seek to make is to show that GPN governance through PSFs is not  
38 a matter of a very limited number of “Global Elite” cities (AT Kearney, 2015). In the context  
39 of the persistent criticism that the global city concept has a Northern / Western bias on the  
40 basis of which “millions of people and hundreds of cities are dropped off the map” of urban  
41 studies (Robinson, 2002, p. 535) I will argue that PSFs in ‘minor’ Northern / Western cities  
42 and in cities in the Global South are also busy in developing strategies that contribute to  
43 reconfiguring relations in GPNs in a way that wealth flows are diverted towards their clients  
44 (and themselves) in the world economy’s centres. This contention is illustrated by the  
45 example of the role of PSFs in two not so prominent global cities – Hamburg and Mexico City  
46 – in two crucial fields of HCC governance (entry barriers and labour relations). In  
47 exemplifying the conceptual arguments with cases from cities beyond ‘the usual suspects’,  
48 this paper contradicts postcolonial urban studies’ critique (e.g. Robinson, 2002; 2006; Roy,  
49 2009) of a Northern / Western bias of the global city concept: PSFs in ‘minor’ global cities are  
50 strategic agents, too. They are strongly involved in shaping the relations along GCCs in a way  
51 that wealth can be transferred towards the centres of the world economy.  
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58 <sup>3</sup> The concepts of GCCs, GVCs and GPNs identify the activities that firms and workers do to bring a product from  
59 its conception to its end use. I am aware of the conceptual differences between the concepts. For the purpose  
60 of this paper, however, their similarities are more important. I use the terms synonymously.

### Global cities and the governance of GCCs

As stated above, there is paucity of studies detailing the economic control functions of global cities. A related, but even more serious critique is that the global city concept lacks an adequate theorisation of economic power, its subject matter. Jones (2002, p. 340) has criticised that the model is “unnecessarily focused on urban places and spaces at the expense of transnational firms and most especially key social actors”. Imbuing places with agency, the concept fails “to get to grips with theorising power”. In a similar vein, Allen (2003, p. 154) contended that “Sassen conflates resources and power” because she seeks to read power off from the number of PSFs in a city. Yet, because power is “a relational effect of social interaction” (ibid., p. 2), it cannot be stored nor radiate out from an authoritative centre like a global city.

This criticism of an insufficient theorisation of economic power has to be taken very seriously, because inter-firm and inter-city control relationships are the *raison d'être* of the global city concept. To overcome this flaw I suggest to turn to the concept of governance which is central to the GCCs, GVCs and GPNs literatures. In particular, I consider Gereffi's (1994, p. 97) original conceptualisation of governance as the “authority and power relationships that determine how financial, material and human resources are allocated and flow within a chain” as particularly useful because it draws attention to power relations in uneven development.<sup>4</sup> Moreover, Gereffi's concept implies a multi-actor and multi-scalar analysis, what is important because it invites to scrutinize the role of actors which are put centre stage by the global city concepts: PSFs. Their involvement in economic governance has been neglected for long, although in the early phase of GCC research it has been acknowledged that PSFs are “economic agents exerting a dominant influence over the governance of GCCs” (Rabach and Kim, 1994, p. 125). Recently, however, the significant influence that PSFs in general, and financial firms in particular, exercise on corporate strategies has been put centre stage in GPN research (Coe *et al.*, 2014). The consequences of lead firms' financialisation have been discussed as regards the shape and extension of GCCs (Gibbon, 2002; Milberg, 2008) and as to the distribution of value amongst different actors (Palpacuer, 2008). Wójcik (2013) and Bassens and van Meeteren (2015) point to the critical role of PSFs in enabling their clients to make superprofits and to keep them through tax evasion.<sup>5</sup> As to non-financial PSFs, Coe (2014) drew attention to logistic firms, while the IGLP Law and Global Production Working Group (2016) is launching an initiative to focus more on the role of law firms in GVC governance. These studies echo the findings of the broader literatures on financialisation and transnational private governance which confirm that PSFs supply key inputs for economic governance (Djelic and Sahlin-Anderson, 2006; Froud *et al.*, 2006; Flood and Sosa, 2008; Graz and Nölke, 2008; Milberg and Winkler, 2010; Baud and Durand, 2012).

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<sup>4</sup> Today a narrowed view of governance is dominant, in which the focus on uneven power relations has been replaced by discussions of transaction costs and of win-win situations in the context of upgrading of firms. There are, however, many calls (Selwyn, 2012; Bair, 2014; Werner, 2016) to recover the original critical impetus of GCC analysis which aimed at uncovering the structural inequalities inherent to capitalism's cross-border division of labour (Hopkins and Wallerstein, 1986).

<sup>5</sup> The “Panama Papers” should thus be renamed in “London”, “New York” or “Zurich Papers”, since lawyers and financial consultants in global cities are supposedly more important in the tax evasion business than the Panamanian law firm Mossack Fonseca & Co.

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3 All these studies' dealing with PSFs' role in economic governance rest on the assumption  
4 that producer services<sup>6</sup> (PSs) are more than just 'technical' support. Rather, they are  
5 guidance. In the perception of their clients PSFs enjoy authority in Arendt's (1961) or  
6 Sennett's (1980) sense, because they master knowledge which is seen to satisfy the desire  
7 and need for leadership in very complex economic settings. Since PSFs are (believed to be)  
8 the providers of the know-how necessary for economic success (cf. Bassens and van  
9 Meeteren, 2015), their counsels are usually followed. Because an advice which is known to  
10 be obeyed becomes to be more than an advice, PSFs do, though they have no formal  
11 autonomy in decision making, pre-structure corporate decisions in the sense that they shape  
12 a decision in advance. Sassen (2010, p. 158) calls this influence *by means of the services*  
13 *provided* "embedded governance – embedded in the lawyering, the accounting and the  
14 investment choices of the firm". PSFs have thus become strategic partners of their clients,  
15 with their relationships being best understood as horizontal (Bryson and Daniels, 2007).  
16 Accordingly, PSFs' power is not as exercised over clients, but together with them. It is a  
17 resource to empower clients vis-à-vis business partners, unions or governments. Therefore,  
18 the even and mutual relationships between PSFs and their clients are embedded into and  
19 serve the hierarchical relations which PSFs' clients maintain in 'their' GPNs.  
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25 PSFs, global cities and the geographical transfer of value

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27 To operationalize an analysis of uneven development in GPNs, it is worthwhile to return to  
28 Hadjimichalis' (1984; 1987) concept of the "geographical transfer of value". In general terms,  
29 this GTV refers to a process through which value produced at one location is transferred to  
30 and realized in another, with the result that the latter location's accumulation base grows at  
31 the expense of the first. GTV thus leads to and intensifies differences in localized  
32 accumulation processes, what in turn increases and accelerates inter-regional inequality.  
33 This connection between the geographical reallocation of wealth, regionally differentiated  
34 growth rates and uneven development becomes most obvious in the case of the  
35 "urbanization of capital" (Harvey, 1985).  
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38 According to Hadjimichalis (1984, p. 340), value is transferred geographically either indirectly  
39 through the market, or directly through violent methods and "more sophisticated policies  
40 such as state taxation policies, price policy, public transfer payments, multinational profit  
41 repatriation, and transfer-pricing". This listing suggests that PSFs are strategic agents  
42 facilitating the GTV.  
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44 As to the market-mediated shifting of value, GCC, GVC and GPN analysis consistently point to  
45 entry barriers as a key instrument for achieving rents and hence an uneven distribution of  
46 surplus: "The GCCs approach explains the distribution of wealth within a chain as an  
47 outcome of the relative intensity of competition within different nodes" (Gereffi *et al.*, 1994,  
48 p. 4). For the purpose of this paper, two things are important. Firstly, erecting entry barriers  
49 is a *function of governance*: "It is this role [...] of identifying dynamic rent opportunities and  
50 apportioning roles to key players which reflects the act of governance" (Kaplinsky, 2000, p.  
51 124). Secondly, for creating and managing entry barriers, lead firms have to rely on PSFs.  
52 These are particularly important for erecting "strategic" barriers, which the OECD (2005)  
53 defines as being intentionally created to deter entry of competitors. Prime examples are the  
54 creation and subsequent protection of intellectual property or the establishing of brands,  
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58 <sup>6</sup> Producer services such as financial and insurance services, legal services, advertising, management  
59 consultancy and accountancy are inputs to further production activities.  
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3 firm reputation and customer loyalty, which would be impossible without the involvement  
4 of patent lawyers or advertisers. Yet, PSFs are also important as regards some structural  
5 entry barriers (which are related to industry conditions) such as financing, which obviously  
6 requires the engagement of banks and other financial institutions.  
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8 PSFs are also key agents in many direct mechanisms of value transfer. It is hard to imagine  
9 that policies related to taxation, pricing, foreign direct investment or the repatriation of  
10 profits could be put into practice without the involvement of bankers, lawyers, accountants  
11 and other consultants (e.g. Flood and Sosa, 2008; Sikkaa and Willmottb, 2010; Wainwright,  
12 2011; Clark and Monk, 2013; Wójcik, 2013; Bassens and van Meeteren, 2015). Another field  
13 in which PSFs are involved in value transfer are labour relations. These are critical to GCC  
14 governance not least because under competitive conditions, companies must reduce costs  
15 without impairing performance (Yeung and Coe, 2015). Labour costs and regulations are  
16 therefore essential criteria as to whether and how companies in a particular region become  
17 integrated into GPNs (Henderson *et al.*, 2002; Smith *et al.*, 2002; Selwyn, 2012). Finally, PSFs  
18 are key agents in the GTV for yet another reason. As “gatekeeper(s) of an enormous stock of  
19 sought-after knowledge” (Bassens and van Meeteren, 2015, p. 763), they draw massive fees  
20 from their clients, appropriating thereby an increasing part of the wealth produced along  
21 GVCs.  
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25 Considering PSFs as strategic actors in the GTV carries consequences for the geographies of  
26 the wealth transfer, in particular as regards its organisation. Contrary to Hadjimichalis (who  
27 has developed his arguments more than 30 years ago, when the new geographical contours  
28 of the world economy were just emerging), I contend that the social agents active in  
29 transferring value are *not* located “usually ... *outside* the donor region” (Hadjimichalis, 1984,  
30 p. 340; my emphasis). Current urban theorizing stresses that knowledge intensive activities  
31 require constant face-to-face interactions and, thus, co-presence (e.g. Storper, 2013). This  
32 certainly applies to high-end bankers, lawyers or accountants, too: As distance-sensitive  
33 knowledge workers, professionals of PSFs had to follow their clients in globalisation  
34 processes (Bryson and Daniels, 2007). Accordingly, the global cities where these services  
35 cluster are *necessarily* spread over the world. Remember that Sassen (1991) contended that  
36 New York, London and Tokyo are leading examples of a much broader process of global city  
37 formation which cuts across the traditional North–South divide. Sassen’s (2001, p. 348)  
38 wording that global cities form “the operational scaffolding of ... the global economy” is  
39 quite unambiguous – scaffoldings typically cover the whole area ‘under construction’, and  
40 not just key intersections. Accordingly, Taylor and Derudder (2016) identify 525 cities  
41 creating the world city network – almost half of them in poorer countries (including classical  
42 mega- cities such as Mumbai, São Paulo, Mexico City or Jakarta). While the resulting  
43 geography of economic governance looks far more decentralized than the one deduced from  
44 a focus on lead firms only, the theoretical insight drawn from these spatialities of PSFs’  
45 influence on GCC governance is that *wealth transfer is organized from outside the donor  
46 regions as well as from within*. Centre-periphery relations unfold thus as successive inter-city  
47 connections on various scales – an idea that Frank (1969) suggested with his spatialized  
48 account of the “Development of Underdevelopment”, in which Latin American capital cities  
49 were conceived of as bridgeheads for the interests of the dominant centres.  
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55 Conceptualizing global cities in this way as *governance nodes* in GCCs (Parnreiter *et al.*, 2007;  
56 Brown *et al.*, 2010), draws attention to cities beyond the world city network. This is built  
57 upon inter-city ramifications which link global cities to the countless non-global, but yet  
58 globalised cities where production for the world market is carried out and from where  
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3 wealth is being drained off (Parnreiter, 2014). In fact, the very idea of a world/global city as  
4 introduced by Friedmann and Sassen *only* makes sense if these cities are seen in a relational  
5 perspective, tied to each other, but also to all the globalized “ordinary cities” (Robinson,  
6 2006) whose work has to be articulated with the world market. There is, thus, no  
7 contradiction between Sassen’s (2016, p. 103) “analytic tactic ... to focus on the extreme  
8 ends” such as the financial sector in New York, and Robinson’s (2002, p. 547) assertion that  
9 export processing zones in poor countries constitute “quite the other end of the command  
10 and control continuum of global city functions”. It is precisely such a relational approach to  
11 centre-periphery interactions in GVCs *and* in urban networks that justifies the selection of  
12 PSs in global cities as key analytical lenses. The often disapproved ‘narrowing down’ of the  
13 focus on PSs (e.g. Robinson, 2002) is thus a means of a “critical exploration of exceptional  
14 power” (Peck 2015, p. 164), conceptually intended to draw attention to the ugly truth that  
15 most people in most cities (Southern and Northern alike) are off the map of economic  
16 decision-making. Because the world economy is so ‘spiky’, it is neither analytically accurate  
17 nor politically progressive to speak homogeneously of “globalizing cities” (Marcuse and  
18 Kempen, 2000).

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22 Seen in this light, the critique that global city researchers were treating non-global cities as  
23 “out of the game, as ‘excluded from global capitalism’ and therefore as irrelevant to their  
24 theoretical reflections” (Robinson, 2002, p. 538) is left without substance. Though the lack of  
25 empirical work on global cities’ role in the inter-city GTV must be recognized self-critically, it  
26 is not true that for global city scholars only the core matters. That such allegations arise from  
27 straw man rhetoric (van Meeteren *et al.*, 2016) can be illustrated with the travelling of the  
28 following quote. Referring to Robinson (2002), Roy (2009, p. 824; my emphasis) states:  
29 “global/world cities mapping drops all other cities from the map, *arguing* that they are  
30 structurally irrelevant to the functioning of economic globalization”. Yet, in Robinson’s  
31 (2002) paper there is no “arguing” of a global/world cities’ representative in that respect,  
32 but a specification of what *Robinson* conceives to be a conclusion from global city research:  
33 “Many populations are excluded from the space of global capitalism, and thus from the field  
34 of world cities: they are ‘economically irrelevant’ (Knox, 1995: 41)” (*ibid.*, p. 534). Besides  
35 the fact that the quote is from Friedmann and not from Knox, the more substantial critique  
36 is that Robinson misinterprets Friedmann. Speaking of a polarized world, Friedmann (1995,  
37 p. 41) suggested that “São Paulo and the affluent metropolitan classes of Brazil do not  
38 require the country's disempowered poor as either producers or consumers. In that sense ...  
39 more than 50 per cent of Brazil's population is economically irrelevant”. While it should be  
40 subject to empirical analyses whether this is correct,<sup>7</sup> it is evident that Friedmann never  
41 suggested deleting the poor from the map of global cities. He did the opposite: “*We must*  
42 *understand global cities in relation to their respective peripheries*, to both their external and  
43 internal proletariat” (*ibid.*, p. 42; emphasis added). Since the notions of periphery and  
44 proletariat are conceptually based uneven and exploitative relations, what Friedmann was  
45 really calling for was an analysis of the intra- and inter-city structure of wealth transfers.

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53 Hamburg and Mexico City as governance nodes: exemplifying the role of PSFs in erecting  
54 entry barriers and in shaping labour relations

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58 <sup>7</sup> I assume that it is not. Mexican Carlos Slim, for example, made his fortune, among others, through many  
59 ‘small-scale’ exploitations: a six-days working waitress in his restaurant chain *Sanborns* earns some 100 € /  
60 month, and his wireless services provider *América Móvil* uses street vendors for commercialization.

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3 So far I have developed two ideas: Firstly, PSFs are important governance actors shaping  
4 “how financial, material and human resources are allocated and flow within a [commodity]  
5 chain” (Gereffi, 1994, p. 97), which is why global cities are governance nodes. Secondly, the  
6 specialized knowledge PSFs supply helps their clients to improve their position in GPNs –  
7 often at the expense of other actors. PSFs are thus involved in the organisation of centripetal  
8 wealth flows, what makes global cities to *specific* nodes of governance, namely of the GTV. A  
9 third notion touched upon is that this governing of GCCs and their inherent value transfers is  
10 not accomplished from a small number of Northern or Western cities. Rather, I have claimed  
11 that it is conceptually cogent (Sassen, 1991) and empirically established (Taylor and  
12 Derudder, 2016) that the world city network is truly global.  
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15 In order to exemplify the role of PSFs in the GTV in this section I will give some examples of  
16 how professionals describe their role in shaping their clients’ governance processes. Since  
17 my intention is to show that this involvement in governance processes goes beyond “Global  
18 Elite” cities (AT Kearney, 2015), the cases are taken from two ‘minor’ global cities – Hamburg  
19 and Mexico City. While Hamburg, though being a crucial hub in many GPNs due to its port  
20 (Hesse, 2006), is integrated into the world city network only relatively weakly (Taylor and  
21 Derudder, 2016), Mexico City, is, as a classical ‘Third World megacity’, a case of a city which  
22 the postcolonial urban studies’ critique sees dropped off the global city map (Robinson,  
23 2002; 2006).<sup>8</sup>  
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26 While many insights from my interviews tie in with the results of studies on the role and  
27 practices of PSFs in GPNs and in the world city network (e.g. Faulconbridge, 2007; Wójcik,  
28 2013; Coe *et al.*, 2014; Bassens and van Meeteren, 2015; Beaverstock *et al.*, 2015), here I pay  
29 particular attention to two aspects of governance, which are frequently denoted as being  
30 strategic: entry barriers (represented by cases of PSFs in Hamburg) and labour relations  
31 (cases from Mexico City) (Gereffi 1994; Kaplinsky and Morris, 2002; Smith *et al.*, 2002;  
32 Selwyn, 2012; Coe and Hess, 2013). The examples given draw from semi-structured, open-  
33 ended interviews with representatives of global PSFs drawn from the GaWC<sup>9</sup> list (Taylor and  
34 Derudder, 2016) in the two cities (19 in Hamburg in 2013, 18 in Mexico City between 2007  
35 and 2013). Respondents were mainly partners of the interviewed firm. Interviews lasted  
36 from 30 to 65 minutes, were recorded and completely transcribed without using  
37 transcription software. The analysis was carried out on the basis of the structuring content  
38 analysis (a variant of qualitative content analysis). For the development of the coding  
39 structure, I used a mixed deductive-inductive approach (Gläser and Laudel, 2010; Mayring,  
40 2010). No software was used in the analysis of the transcript. Quotes have been translated  
41 by the author.  
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46 According to the insight that patents represent one of the clearest case of an entry barrier  
47 (Kaplinsky and Morris, 2002), two interviewed business lawyers in Hamburg identify  
48 intellectual property as a key area both of GCC governance and of their influence on it. They  
49 also make clear that their objective in erecting such barriers is to alter the distribution of  
50 wealth created in a GPN in favour of their clients. The office managing partner of a law firm  
51 in Hamburg says that his service (patenting) “of course, quite clearly [has the purpose] to  
52 prevent others from entering the market. ... Because intellectual property, very, very clearly  
53 leads to monopoly rights. And monopoly rights of course always serve to crowd out a  
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56 <sup>8</sup> For further studies on non-prime world cities see Faulconbridge *et al.*, 2011, Rossi *et al.*, 2007, Hanssens *et al.*,  
57 2012 and Jacobs *et al.*, 2014.

58 <sup>9</sup> The Globalization and World Cities Research Network focuses upon research into the external relations of  
59 world cities. See <http://www.lboro.ac.uk/gawc/index.html>  
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3 competitor. Thus, to have a monopoly ... would always be suitable". Yet, altering the  
4 distribution of value in a GPN requires more than just legal advice. In full agreement with  
5 Sassen's (2010, p. 158) notion of governance as being "embedded" into the services  
6 provided, the partner of another global law firm in Hamburg asserts that "we go beyond the  
7 [legal] issue, considering how we can best serve the client, to help to achieve his economic  
8 goal as efficiently and profitably as possible. ... That's precisely our job, to go beyond [the  
9 legal] and to develop things. Yet this development is part of the legal advice". The example  
10 he gives refers to the recommendation to geographically restructure a client's GVC because  
11 in a particular country the entrance barrier "intellectual property" could not be guaranteed  
12 because of a 'loose' handling of laws: "So if I, if in some place I don't have patent protection  
13 or not sufficient [protection], then the competition comes and takes [my product] away or  
14 modifies it or makes it cheaper. ... And that is certainly very significant. ... So, depending on  
15 whether you have them [patents], and where [a patent is registered], that has immediate  
16 impact on the added value, on value distribution."

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20 Financing is another powerful entry barrier, in particular for suppliers in poorer countries  
21 (Gibbon 2008). The head of the business centre of the Hamburg office of a global bank gives  
22 an example of how he can take advantage of the dearth of financial resources in an Asian  
23 country where his client's supplier is located. "Well, in essence, it's all about the question:  
24 When will I get my money? ... That's the most elementary payment condition, [which] also  
25 determines the strength vis-à-vis my suppliers ... For example, you enable your supplier to  
26 get his money earlier ... You can either put him in the position that he can no longer [hold  
27 out] because the payment terms are changed so that he is virtually no longer able to cover  
28 the pre-financing requirements, or you can make life easier for him, so to speak". Offering  
29 the Asian supplier "mechanisms of liquidity" brings him competitive advantages over other  
30 Asian suppliers. Yet, what the Hamburg financial service provider has ultimately in mind is, of  
31 course, not the supplier's economic fate, but his client's profit. The price the supplier has to  
32 pay for being empowered against local competitors is to be weakened against the German  
33 lead firm. As the banker says, "if you are paying him [the supplier] so early, that his position  
34 is clearly, significantly improved, than that in turn has implications on, for example, prices,  
35 yes, that is the other side, so to speak, the sooner I tell him: hey, I will pay you earlier, but  
36 you then have to make concessions, too, regarding the prices". The example reveals, thus,  
37 two dimensions of how PSFs influence GCC governance. In organising the entry barrier  
38 "liquidity", the Hamburg office of the PSF controls which companies can integrate  
39 themselves into the Asian segment of the client's GVC. This powerful position is in turn used  
40 siphon off wealth from the 'empowered' Asian firm and shift it to the Hamburg client (and to  
41 itself).

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46 The second example of how PSFs are involved in GCC governance and in the organisation of  
47 the GTV refers to labour relations. According to the interviews in Mexico City, lawyers see  
48 themselves as strategic actors in their shaping. One issue recurrently addressed relates to  
49 the payment of social benefits. For example, the level of insurance benefits for employees  
50 depends on the risk class in which a company is classified by the Mexican Institute for Social  
51 Security. In order to reduce payments for the insurance protection of the employees of one  
52 client, an interviewed global law firm has successfully claimed in the courts the client's re-  
53 classification in a less risky business field. Another issue mentioned repeatedly by labour  
54 lawyers concerns the configuration of employment contracts. If workers, for example,  
55 belong directly to the hiring company, they normally receive higher wages and more social  
56 benefits than if they were employed by a subsidiary founded for this purpose.  
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3 Another frequent topic is the “restructuring” of labour relations, e.g. through the switching  
4 to a different union with which the collective bargaining agreement is signed. This is a critical  
5 issue, due to the closed-shop principle according to which companies in Mexico have to  
6 accept only one union as the workers’ legitimate representation. Because unions differ  
7 strongly in strength and political orientation, the closed-shop principle boosts high selectivity  
8 as regards with whom to sign the collective bargaining agreement. Lawyers therefore  
9 recommend their clients to “actively hunt for a trade union”, as the German Association for  
10 Foreign Trade and Location Marketing informs (Buerstedde and Päßgen, 2015). This  
11 “chasing” of convenient unions is particularly important because of the geographical  
12 dimension of unions’ strength. Since unions are more employer-friendly in some federal  
13 states than in others, the proactive selection of workers’ representation involves localisation  
14 decisions: Because of unions’ impacts on the working environment, wages, the payment of  
15 social benefits and hence on profits, companies decide where to establish a plant also with  
16 regard to the geography of union power.  
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20 However, these spatialities of labour relations are difficult to grasp for foreign companies  
21 and especially for newcomers to the Mexican market. Lawyers from global law firms  
22 describe it therefore as one of their tasks to guide the client in this respect. As one lawyer  
23 underscores: the partners of his firm “have conferences with the clients to plan a deal, to  
24 structure a deal. ... The one who takes the decision how things should be done, rather would  
25 be here, from the [law] firm. ... I do believe that the one who makes the strategy, it’s the  
26 partners of the law firm”. A partner of another law firm corroborates that the client  
27 “contracts you precisely for that. That you tell him which union is the most convenient one.  
28 ... I think there’s much influence one has. A good example, as to labour issues, is ... the firm  
29 x. X has closed plants, and has put other plants, only and exclusively because of the advice  
30 we have given ... [They faced] problems with the union, because the union is very aggressive.  
31 ... Because [in that federal state] a contract was common, they had to pay certain, hm,  
32 benefits that were above market standards. ... *And the decision to relocate the plants, it was  
33 a joint decision, the client and you?* Well, ... the client decides because it is his money, (but)  
34 based on the advice you give him. ... If you tell him the best place to establish a plant, then it  
35 is unlikely that the client will decide for anything else”.  
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39 While these examples of the strategic involvement of PSFs in GCC governance certainly  
40 require a critical assessment through triangulation, it is also true that the interviews fit both  
41 the literature on the importance of barriers to entry and labour relations in shaping the  
42 structure, geography and governance of GCCs (Gereffi, 1994; Kaplinsky and Morris, 2002;  
43 Smith *et al.*, 2002; Mahutga, 2012; Selwyn, 2012) and the literature on the role of financial  
44 and legal firms in GPN governance processes (Coe *et al.*, 2014; IGLP Law and Global  
45 Production Working Group, 2016). To make it clear: PSFs are not only enablers of GCCs  
46 through ‘greasing’ assembly lines, they are also drivers, shaping how and where value is  
47 produced and accumulated. That is valid also for ‘minor’ global cities such as Hamburg and  
48 Mexico City, what is in line with the quantitative GaWC-research that proves that the world  
49 city network is formed by more than 500 cities around the world (Taylor and Derudder  
50 (2016)).  
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54 Without claiming that the cases presented draw a complete picture, I think it is fair to say  
55 that they do support Sassen’s (2010, p. 158) contention that governance is being  
56 “embedded” into the services provided. The cases show that services such as patenting,  
57 financing or making labour contracts “entail command functions that are distributed across  
58 those operations” (*ibid.*). The Mexico City lawyer, for example, who in his search for  
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3 “convenient” unions pre-structures clients’ strategies for plant relocation is an active agent  
4 in GCC governance in two ways. Suggesting clients a geographical reorganisation of their  
5 GPNs implies that the lawyer functions as a ‘disarticulator’ (cf. Bair and Werner, 2011) of  
6 plants, cities or federal states with combative trade unions. Because such exclusions are as  
7 “constitutive” (Werner, 2016, p. 458) for the formation and restructuring of GVCs as their  
8 opposite, namely the integration through “strategic coupling” (Yeung, 2015), lawyers can be  
9 identified as important network shapers. Secondly, plant relocation with the purpose of  
10 reducing wages increases a local GTV from workers’ households to the firm: Weaker unions  
11 imply less direct and indirect payments and therefore more value to be siphoned off. Yet,  
12 workers compensate the loss of income amongst other things through externalisation of  
13 costs to their households, which feed values into GPNs because (mainly female) household  
14 members shoulder more unpaid work for producing and reproducing the labour force  
15 (Dunaway 2014).  
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19 As to the scales of this involvement of PSFs in GCC governance, the interviews with PSFs in  
20 Hamburg reveal that their influence clearly extends national borders. When a lawyer  
21 advocate the withdrawal of a client from India because protection of intellectual property  
22 for pharmaceuticals there is “weak”, he defends “monopoly rights” (and the corresponding  
23 profits) against a foreign government that seeks to provide affordable medicines. Suggesting  
24 his client a geographical restructuring of the medical GCC with the purpose to bypass the  
25 Indian market, the Hamburg lawyer once again can be identified as a ‘disarticulator’, and  
26 that on a global scale. In a similar vein, the Hamburg banker who provides financing to a  
27 client’s supplier in Asia is influencing GCC governance worldwide. His service can be decisive  
28 for which Asian firm will be integrated into the Hamburg client’s GCC, and he contributes to  
29 a global transfer of value because his financial service to the Asian supplier allows the  
30 Hamburg firm to beating down prices in backward linkages. On the other hand, PSFs in  
31 Hamburg also function as a pivot to other global cities, facilitating Asian or US-American  
32 companies the entry in the European and / or German market (Parnreiter, 2015). While this  
33 role of a gateway city (xxxx) for foreign firms to the national market is also assumed by  
34 Mexico City, and while Mexico City’s PSFs do service (the not so many) Mexican firms going  
35 global, the geographical reach of their shaping capacities seems to be more limited: None of  
36 the respondents brought up a case of modelling labour relations in, say, Central America  
37 (Parnreiter, 2010).  
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42 In any case, the consequences of the wealth transfers co-organized by PSFs in Hamburg and  
43 Mexico City are serious. In Latin America, for example, about 45 % of total profits or 5 % of  
44 total FDI were repatriated between 2000 and 2010 (Neme Castillo and Perezysera, 2013).  
45 Because a city’s or a region’s development depends critically on the capacity to ‘hold down’  
46 the value created there (Coe and Hess, 2013), such policies of disinvestment and the GTV are  
47 part of the ongoing shaping of the landscapes of uneven development. Now, it is my  
48 contention that such relocations of resources are inconceivable without the daily  
49 collaboration of PSFs. And it is equally inconceivable that this GTV could be accomplished  
50 from a few places in the ‘North’, because high-end servicing is knowledge intensive and  
51 therefore distance-sensitive. Mexico City is, thus, a place for the making of Mexico’s misery.  
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## 55 Conclusions

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57 The starting point of this paper was the disappointing acknowledgement that 30 years after  
58 the publication of Sassen’s *The Global City* (1991) our understanding of “how cities and the  
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3 classes within them achieve control over other regions” (Roberts, 1986, p. 459) has not  
4 improved substantially. In order to find answers to this question and to substantiate the  
5 notion of global cities’ ‘command and control’ functions, I have drawn on conceptualisations  
6 of global cities as nodes in GCCs (Brown *et al.*, 2010). More precisely, and relying on the  
7 governance concept as originally defined by Gereffi (1994), I have scrutinized the role of PSFs  
8 in uneven development and, in particular, in the GTV (Hadjimichalis, 1984; 1987). My key  
9 contention is that because the direct as well as the indirect mechanisms through which value  
10 is transferred geographically *require* the intervention of PSFs, global cities can be theorized  
11 as governance nodes for centripetal wealth transfers along GCCs.  
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14 To exemplify this notion, I turned to PSFs’ activities in two less ‘eye-catching’ global cities. In  
15 the context of the persisting criticism that the global city concept has a bias towards ‘elite  
16 cities’, it has been my intention to substantiate the claim that global cities are critical places  
17 for the organisation of uneven development with reference to cities beyond ‘the usual  
18 suspects’. Referring to cases of how PSFs in Hamburg and Mexico City erect entry barriers to  
19 protect their clients from competition and of how they shape labour relations at the expense  
20 of employees, I have maintained that governance is, as Sassen (2010, p. 158) has argued,  
21 indeed “embedded” into the services provided. From that follows that even ‘minor’ global  
22 cities are strategic governance places from where the transfer of wealth towards the centres  
23 of the world economy is organized.  
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26 Yet, this form of governance does not directly correspond to the notion of ‘command and  
27 control’, nor does it fit into the dominant approach in GCC, GVC and GPN studies, which until  
28 very recently has focused on bipolar governance relations between lead firms and key  
29 suppliers. I think that economic governance is best understood as a multi-actor, multi-scale  
30 and multi-local process. Paraphrasing Jane Jacobs (1970, p. 121), one could probably say that  
31 PSFs agency resembles the “little movements” that turn “the great wheels” of the GTV.  
32 Hamburg and Mexico City are two of the many global cities where these wheels are turned,  
33 and that is why the global city concept is a meaningful approach to study the role of cities all  
34 over the world in uneven development. Thus, the challenge for urban studies is not so much  
35 to theorize the city “from the Global South” (Parnell and Robinson, 2012), but to  
36 comprehend the role of global cities all over the world in the shaping of the uneven relations  
37 between cities that guarantee the centripetal GTV.  
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