

# Chapter 52

## Global Economy

### Urbanization and Urban Economy Globalization: Forms, Factors, Results

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#### **ABSTRACT**

*World economy globalization fundamentally changes the role of urban business systems. Now, they are the main actors of global production and trade. A dominant share of international business activity is now concentrated within a frame of global urban net. This trend transforms mechanisms and patterns of market economy institutes' functioning and stimulates the appearance of new economical, social, and political problems. This chapter includes statistical and comparative analysis of modern cities, their economical performance, and position in global economic affairs, and also an original methodology for urban business structure evaluation. It allows setting some theoretical findings about internal and external sources of urban business system competitiveness and effectiveness in a globalizing economy and the formation of an original approach to modern cities' global hierarchy evaluation.*

#### **INTRODUCTION**

In twentieth century globalization became an objective condition of world economy evolution due to rapid development of multinational corporations, liberalization of cross-border movement of productive factors (capital, technology and skilled labor), fast flourishing of information and communication technologies, transformation of international and national regulating of economical and social processes.

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The dynamics of globalization identified a number of fundamental transformations that are changing a basis of world economic relations, balance of power in the global production and distribution.

Firstly, feature of economy globalization is a combination of processes of autonomy and integration (Naisbitt, 1994, p. 43-48). This is broadly well-known as a “paradox of Naisbitt”: higher level of economy globalization makes its smallest agents stronger.

Consequently, in the context of globalization small and well-managed agents of the world economy have got competitive advantages of global scale, have started to extend their own economic impact on the world market (due to the usage of transnational productive - distributive systems and opportunities of international markets).

Secondly, globalization requires a maximum involvement of every subject (agent) into the world economical processes, its maximum integration in common economic space. This increases a competitiveness of the small agents of the world economy that are capable to develop own infrastructure for rapid development of foreign affairs and trade.

Thirdly, globalization dynamics of technological progress has highlighted innovative and infrastructural factors of competitiveness (legal, economic environment, innovative potential of society, level of intellectualization of production, and so on), that can be effectively concentrated in frames of smaller (in comparison with the states) business systems.

These patterns of the modern globalization determine a theoretical basis of transformation of urban business systems’ economic importance and development of the global cities as new world economic agents.

During five-six thousand years of own evolution the cities developed from relatively small, simply organized and structured settlements to complex and large economic, social, political, cultural, religious, scientific, military and strategic centers and agglomerations.

As a business system city can also be characterized by number of features. Firstly, cities have certain limits and boards that allow their existence independently from the other units. The urban business systems’ boundaries are defined by territory, name, organizational structure, etc.

Secondly, every urban business system is characterized by a combination of local resources, by their quality and capacity.

Thus, the dynamics of globalization processes, giving a global competitive advantage to the small business systems, allows them to gain competitive advantages of a global scale, to encourage some transformations of the world economy structure. Due to these transformations urban business systems with their strong internal links, internal unity, and high potential of own economic progress, are more comfortable than national states for international integration and are coming to the forefront of the world economy.

## **PROBLEM, PURPOSE, AND OBJECTIVES OF THE STUDY**

Development of the world economy demonstrates a significant growth of global economic role of urban business systems. Cities concentrate production, innovations, commercial potential and any international business activity. Today a share of hundred of the world major cities in a global GDP is bigger than 30%.

It is caused, firstly, by internal features of urban business systems’ organization, such as locality, better management, high domestic consumption, innovative and cultural potential, investment attractiveness

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