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# The Generation of Value in Urban Spaces

(doi: 10.1406/98103)

Equilibri (ISSN 1594-7580)

Fascicolo speciale, settembre 2020

**Ente di afferenza:**

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# The generation of value in urban spaces

by Montserrat Pareja-Eastaway

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## **Socio-economic transformation and the spatial form**

**T**he transformation of capitalism over the centuries has assigned a variety of roles to the city as a place to attract economic activity and produce wealth. The third wave of globalization is driven by the knowledge economy, where creativity and talent are generators of innovation and urban competitiveness. In this context, the ability of cities to produce jobs and economic growth relies on increasing the number of areas that are attractive for the location of high added-value activities and for talent to settle in. The scope of internationalization, interrelation and interdependence of the different dimensions of globalization – that is, economic, environmental, social and cultural – is larger than ever in the XXI<sup>th</sup> century, as the accompanying digital revolution contributes to increasing global connectivity. It is in cities where the positive aspects of globalization, such as the creation of jobs or increasing well-being of citizens, take place. However there are also negative conditions. For instance, the economic decline of some areas as capital flows towards more profitable ventures elsewhere, the diminishing power of national and local governments to regulate economic affairs in isolation from other stakeholders, and the loss of local diversity and increase in societal inequality. The 2020 pandemic is becoming an exceptional example of how globalization connects the different parts of the world, in this case with very negative consequences.

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Back in the XVIII<sup>th</sup> century, Adam Smith referred to the fact that «Man is an animal that makes bargains; no other animal does this – no dog exchanges bones with another»<sup>1</sup> (Adam Smith Quote, n.d.). Exchange is the beginning of the market economy, but also of its spatial translation. The economic and social modes of reproduction are translated into different forms of urbanization and spatial organization.

Spatial representations of the dominant economic paradigm are easily recognized throughout history: for instance, the classical European mediaeval town, or Fordist cities such as Detroit or Turin. The creative and knowledge economy also has an immediate translation into the spatial form of cities: the last economic development of capitalism is definitely based on the capacity of the city to attract a diversity of people, culture and organizations, providing the scenario for multiple interactions and potential innovation. However, this urban «renaissance» is not thriving everywhere. Some urban environments have flourished as they are better positioned in the global network of cities attracting companies and, especially, talent, while others have experienced difficulties finding their role in the new urban competitive arena.

Creating urban value is thus putting together the spatial attributes and characteristics of the city at the service of a dominant economic standard at a time; it is shaped by time and space. The aim of this paper is to explore the creation of urban value in particular contexts dominated by globalization and the knowledge economy. Three dimensions will be taken into account: to whom is this value addressed, by which governance models is it achieved and who is clearly benefitting from such a strategy.

First, the paper will approach the global-local relationship in a knowledge-based economy. Second, multiple urban endeavours to compete by means of creating urban value will be analysed. Next, it will provide some

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<sup>1</sup> A. Smith Quotes (n.d.), BrainyQuote.com. Retrieved April 14, 2020, from BrainyQuote.com, available online at [https://www.brainyquote.com/quotes/adam\\_smith\\_137468](https://www.brainyquote.com/quotes/adam_smith_137468).

reflections on how urban value is created, by which means and for whom. Finally, some conclusions will be elaborated upon in light of recent developments resulting from the COVID-19 pandemic. In particular, and taking into account the School of the Souths perspective, several questions will be addressed in the analysis: Do the Global North and South follow similar patterns? Are the processes of urban value creation targeting the same objectives and delivered with the same actors in the Global North and South? Does it make sense to be concerned about the sustainability of processes that alter urban value creation in the Global North and South?

To approach these questions, rather than being univocal and relying on a single discipline, I aim to convey knowledge provided by the different lenses that look at space. We would definitely be in alignment with the need for a «truly unitarian theory» about space<sup>2</sup> and, in particular, urban space as in order to capture the essence of creating value, a single pathway is insufficient to validate the multitude of strategies aimed at creating urban value.

### **The global and the local interlude in the knowledge-based age**

Since the XIX<sup>th</sup> century, the transformation of the structures of production and work have denoted different typologies of cities as representations of the dominant economic and social system of reproduction. For instance, the classic manufacturing town or the great industrial metropolis are urban forms easily associated with a particular mode of economic and social development. The new economy and all its derivations (the creative economy, the advanced-service economy, cognitive capitalism etc.) have also contributed to boosting a particular urban form through the requirement of a varied set of factors. Talent, knowledge, digital technologies and culture are nowadays essential resources for the flourishing of appealing cities in the current stage of economic and social reproduction.

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<sup>2</sup> H. Lefebvre, *The Production of Space*, Blackwell, 1991 (original 1965), p. 12.

Back in the 1990s, Manuel Castells referred to the «information age» as the new scenario where social, economic and cultural developments had taken place since the 1970s<sup>3</sup>. The shift from an industrial society to an information society becomes evident in the way people, institutions and companies organise; the rise of the «network society» is definitely intertwined with the emergence of transformation in urban spaces. The spatial transformation is one dimension of the new social structure; considering contemporary urbanization processes requires an analysis of the network dynamics in the territories included and excluded by these dynamics<sup>4</sup>. A new spatial architecture is defined and different degrees of urban inclusion are considered. While Saskia Sassen<sup>5</sup> or Manuel Castells<sup>6</sup>, among others, focus on the different articulations that cities adopt in aspiring to become part of this global scenario, and the unequally privileged position they occupy in the urban hierarchy, others, such as Allen Scott or (later) Richard Florida reinforce the inner polarization and segregation that globalization entangles within the city<sup>7</sup>. The points of connection, the so-called «nodes»<sup>8</sup>, in this global architecture of networks are the places that attract wealth, power, culture, innovation and people (innovative or not) to these places.

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<sup>3</sup> M. Castells, *The Rise of the Network Society, The Information Age: Economy*, in «Society and Culture», vol. 1, Malden, MA-Oxford, UK, Blackwell, 1996, second edition, 2009. Id., *The Power of Identity, The Information Age: Economy*, in «Society and Culture», vol. 2, Malden, MA-Oxford, UK, Blackwell, 1997, second edition, 2009; Id., *End of Millennium, The Information Age: Economy*, in «Society and Culture», vol. 3, Malden, MA-Oxford, UK, Blackwell, 1998, second edition, 2010.

<sup>4</sup> M. Castells, *Globalisation, Networking, Urbanisation: Reflections on the Spatial Dynamics of the Information Age*, in «Urban Studies», vol. 47, n. 13, 2010, pp. 2737-2745, available online at <https://doi.org/10.1177/0042098010377365>.

<sup>5</sup> S. Sassen, *The Global City: Introducing a Concept*, in «Brown Journal of World Affairs», vol. 9, n. 2, 2005, available online at <http://www.saskiasassen.com/pdfs/publications/the-global-city-brown.pdf>.

<sup>6</sup> *Ibidem*, p. 4.

<sup>7</sup> A. Scott, *Social Economy of the Metropolis: Cognitive-cultural Capitalism and the Global Resurgence of Cities*, Oxford University Press, 2008, DOI: 10.1093/acprof:oso/9780199549306.001.0001; R. Florida and C. Mellander, *Segregated City. The Geography of Economic Segregation in America's Metros*, Martin Prosperity Institute report, University of Toronto, 2015.

<sup>8</sup> M. Castells, *Globalisation, Networking, Urbanisation: Reflections on the Spatial Dynamics of the Information*, cit.

As Willem van Winden *et al.*<sup>9</sup> summarise, the role of cities is reinforced in the knowledge economy because their main actors (people, organizations and institutions) provide a fertile ground for innovation, an essential input for the new economy. The reasons considered are *i*) technology is rapidly spread around in cities due to the higher concentration of knowledge workers and firms in the city, and the possibilities for interaction; *ii*) the urban labour market is larger and specialised with better career opportunities; *iii*) the aesthetics of consumption (luxury goods) are more acknowledged and generalised among well-paid workers; and *iv*) large cities are specialised in knowledge and creative industries grow at a larger extent in the knowledge economy. However, it is not clear that all cities in Global North or South will achieve success in becoming central elements of reference in the knowledge economy. The starting point and the contextual elements define particular pathways that do not always converge in prosperous economic and social scenarios.

Cities have reacted in several ways to the requirements of the knowledge society. While authors like (early) Richard Florida<sup>10</sup> or Charles Landry<sup>11</sup> stressed the importance of promoting or attracting creativity and knowledge because they are the main urban value generators, other authors such as Allen Scott<sup>12</sup>, Jamie Peck<sup>13</sup> or recently the same Richard Florida<sup>14</sup>, have pointed out the negative effects that this strategy might represent for cer-

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<sup>9</sup> W. van Winden, L. de Carvahó, E. van Till, J. van Haaren and L. van den Berg, *Creating Knowledge Locations in Cities: Innovation and Integration Challenges*, Rotterdam, European Institute for Comparative Urban Research (Euricur)/Institute for Housing and Urban Development Studies (IHS), Erasmus University Rotterdam, 2010.

<sup>10</sup> R. Florida, *The Rise of the Creative Class: And How It's Transforming Work, Leisure, Community and Everyday Life*, New York, NY, Basic Books, 2002.

<sup>11</sup> C. Landry, *The Creative City: A Toolkit for Urban Innovators*, London (UK) and Sterling, VA (USA), Earthscan, 2000.

<sup>12</sup> A. Scott, *Social Economy of the Metropolis: Cognitive-cultural Capitalism and the Global Resurgence of Cities*, cit.

<sup>13</sup> J. Peck, *Struggling with the Creative Class*, in «International Journal of Urban and Regional Research», vol. 29, n. 4, 2005, pp. 740-770.

<sup>14</sup> R. Florida and C. Mellander, *Segregated City*, Toronto, Rotman, 2015.

tain urban locations. In particular, they advise about the possibility of a more highly polarised, segregated urban society.

### **Multiple endeavours to urban competition**

Urban competitiveness has changed in the new economy. Following Markusen's<sup>15</sup> recipes for achieving competitiveness, cities should be engaged in providing high-skilled jobs with the capacity to produce high-added value services with desirable characteristics, should orient themselves towards environmentally benign goods, should maintain a target of full employment (avoiding overstressed markets), and should actively enhance their position in the urban hierarchy. However, the former list of items could look like a wishful thinking list that does not take into account the barriers, constraints and side effects that cities might encounter along the way.

Cities are becoming part of a globally oriented network of cities with the strategic task of adjusting urban communities to the conditions of the global economy. Local governments can do this by increasing their competitiveness and by influencing the general context in which this competition between cities takes place. Local governments need to increase their capacity to govern, and to design favourable government structures. Therefore, creating successful responses to global long-distance competition is essentially a problem of strategic positioning and governance<sup>16</sup>.

Cities' ability to effectively attract external resources – especially in high added value areas of activity – largely determines their position in the global urban hierarchy, reflecting and conditioning their overall attractiveness and capacity in the global scenario. Simultaneously, the need for grassroots urban policies that involve the local population and are capable of balancing

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<sup>15</sup> A. Markusen, *Sticky Places in Slippery Space: A Typology of Industrial Districts*, in «Economic Geography», vol. 72, n. 3, 1996.

<sup>16</sup> A. Anttiroiko, *Making of an Asia-Pacific High-technology Hub: Reflections on the Large-scale Business Site Development Projects of the Osaka City and the Osaka Prefecture*, in «Regional Studies», vol. 43, n. 5, 2009, pp. 759-769.

development policies with the adoption of an integrative vision of them is reinforced.

Innovation districts emerge in this context as key in the global-local synthesis: the attraction of external resources and the empowerment of existing resources emerge as a synthesis to create conditions favourable to global competitiveness. Thus, the processes of urban renewal and revitalization with the intention of stimulating innovation converge, on the one hand with the improvement and updating of physical infrastructures, and on the other with the development of investment in human and social capital.

In this scenario, the competitive positioning of cities and, therefore, of the actors that conform them is determined according to their own particularities and the goals which they intend to achieve. Urban singularities are defined by the trajectory of economic development, the resources (both natural and infrastructure) that the city has, the skills or competences of its actors and a certain institutional fabric<sup>17</sup>.

Urban performance is, or at least should be, a common effort based on the particularities of the cities and the varied range of collectives that are actively or not engaged in urban daily life. Cities are meant to develop their endogenous potential, challenging their own capabilities to cope with their current problems and difficulties such as mobility, job creation or environmental pollution. Urban cooperation is also evident in the articulation of common problems such as social exclusion or environmental degradation, sharing of experience and the establishment of policy networks.

In order to create urban value or attractiveness for economic activities, several theories have been developed as possible avenues of policy-making discussion: on the one hand, cities enjoy a series of assets that have been

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<sup>17</sup> S. Musterd and O. Gritsai, *The Creative Knowledge City in Europe: Structural Conditions and Urban Policy Strategies for Competitive Cities*, in «European Urban and Regional Studies», vol. 3, n. 20, 2012, pp. 343-359, DOI: 0969776412439199.



naturally endowed, a particular historical trajectory and a certain geographical position in the globe. Those aspects are core to a unique path dependency that constitute the city and are barely modifiable. On the other hand, cities develop strategies to attract economic activity in all its forms: *a)* by providing good infrastructures, excellent connectivity and telecommunications (hard factors); *b)* by reinforcing the variables that contribute to the quality of life (soft factors); and *c)* by taking into account the complex network among actors, the professional and personal ties of individuals (network factors).

However, this is not enough; creating urban value is a dynamic endeavour that requires a stream of actions that reinforce the complexities of urban competition. In recent years, interest has grown in learning about the mechanisms that create innovation in territories. The approaches are varied and range from the academia to local agents who want to improve their capacity to generate high added value.

Economic activity is necessarily associated with a territory: it is this that becomes a key piece in locating innovation. However, the territory is more than the basis for business location: it is a space for interaction, residence, generation of synergies and external effects between agents, and the emergence and action of institutions and policies.

The empowerment of a specific territory in order to create innovation requires the identification of a local context with potential for change, and generates a new way of linking up with the rest of the city. The transforming capacity of the existing environment, together with the attraction of companies and talent, is one of the challenges for policies; creating ties with the rest of the territory is a necessity.

We expect knowledge locations to emerge and unfold within a specific spatial-economic context. However, not all urban agglomerations are in the position to compete. Cities design development strategies in certain districts in light of other experiences. It is in this context that the model ad-

opted in Barcelona, for instance, to develop and add value in the 22@ district of innovation in Barcelona, has become an international benchmark for analysis and replication<sup>18</sup>.

### **Creating urban value: Essential considerations**

Processes of revitalization, regeneration, renewal, redevelopment or rehabilitation entail, to a greater or lesser extent, urban value creation. Examples of these measures are multiple: the rehabilitation of damaged facades, the regeneration of housing estates, or the redevelopment of a former industrial area targeting cultural facilities as a means for revitalising a depressed neighbourhood. Involving only physical intervention or acting in an integrated manner dealing with social aspects, the generation of urban value is at the bottom line of cities' strategies to become attractive in this globalised scenario.

The Global North and the Global South have approached the creation of urban value through similar strategies, although the extent of success is blurred given the dissimilarities in context, actors and patterns of urban value creation. Notwithstanding that the forms of intervention might be different, and without regard to the geographical base, several aspects should be taken into account while reflecting on the processes of urban value creation:

- *To whom is this value addressed?*

Urban strategies might be oriented to increase or create urban value for companies, residents, tourists or investors. However, not all affected actors appreciate in a coincident manner the strategies adopted by the city to create value. For instance, while residents would probably be happier with the provision of green areas, investors would welcome densification strategies in real estate projects.

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<sup>18</sup> M. Pareja-Eastaway and J.M Piqué, *Urban Regeneration and the Creative Knowledge Economy: The Case Of 22@ In Barcelona*, in «Journal of Urban Regeneration and Renewal», vol. 4, 2011.

Another element to consider is the willingness of cities to «attract» foreign companies, investors or tourists. After Richard Florida's<sup>19</sup> prescription in the 2000s, many local governments targeted foreign capital and talent in their urban planning activities. That strategy also pointed out the capacity of «retention» of those cities aspiring to captivate foreign talent or companies for the long-term.

In addition, a target for urban value creation is tourism. Indeed, the rise in tourist flows globally has demonstrated that it is also a major source of creation of local wealth, but simultaneously, the main cause of negative externalities in the recipient cities.

– *By which governance models is this value created?*

Traditionally, it has been the role of local policies and actions to decide in a sort of paternalistic mode, which would be the better pathways to achieving certain objectives associated with the creation of urban value. However, from *top-down* policies and arrangements, governance models have been transformed in myriad combinations, all of them characterised by strong citizenship accountability. *Bottom-up* mechanisms have proved to be more effective in providing a comprehensive approach to the micro opportunities existing in the city.

Generally speaking, governance models used in the creation of urban value adopt a wide range of possibilities depending on the typology of the urban space and the actors involved, among others. Partnerships become a useful visible agreement of those governance models: between public and private actors but also between different tiers of government (public-public) or different private interests (private-private), they have become successful generators of urban value creation. Lately, processes of co-creation between the different stakeholders involved in the use of the city have been used as a natural mechanism to increase value for all those benefiting from

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<sup>19</sup> The so-called three T's theory (Talent, Technology and Tolerance).

the use of the city. As Jane Jacobs<sup>20</sup> points out, the decline of urban life can be reverted if citizens are considered the core of any urban intervention.

In an era of liberalization, and with an alarming diminishing role for public intervention, there is a considerable risk related to the unbalanced absorption by certain economic actors of urban value creation in key areas of the city. That has provoked multiple negative effects, for instance, the displacement of existing residents and activities in these areas. Comprehensive and holistic approaches are needed to prevent negative externalities impacting the more vulnerable in the city.

– *Which are the customary tools for creating urban value?*

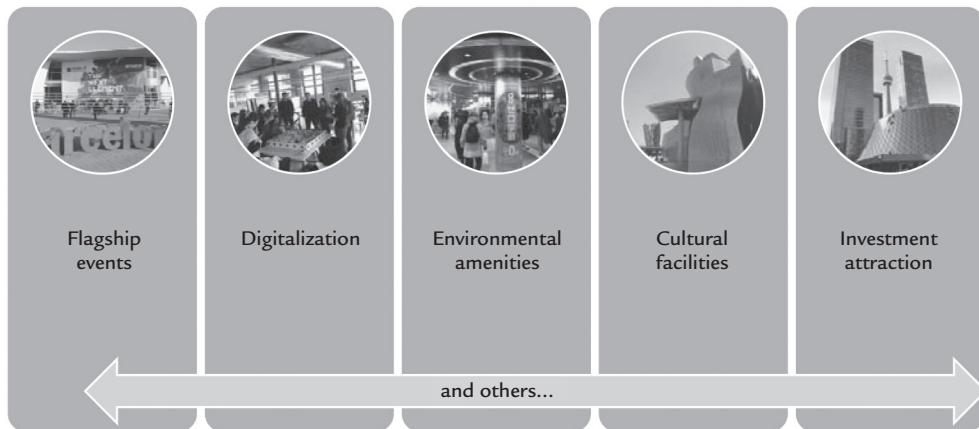
Depending on the user-target, policy making has developed several tools to transform the existing city. Attractiveness and competitiveness are the working motto in most cases. As can be seen in Figure 1, cities have opted for celebrating flagship events as an alternative to becoming part of an international scenario: Olympic Games, International Exhibitions, worldwide congresses and conferences are, among others, well-known examples of events that allow a city to be acknowledged at an international sphere, or that are key for a particular sector. However, guaranteeing the prosperity associated to this particular event is essential for a good process of urban value creation. Despite the temporality of the celebration, the value created should be extended and beneficial for the future of the city.

The knowledge economy and the relevance of ICT in all spheres of urban daily life have determined accelerated processes of digitalization. The use of artificial intelligence based on the collection of big data in a manifold set of urban dimensions contributes to better results in terms of adequate innovation and efficient use of the existing resources. However, a wide divide

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<sup>20</sup> J. Jacobs, *The Death and Life of American Cities*, New York, Random House, 1961 (1989 edition).

Figure 1. Tools for creating urban value.



Source: Own elaboration.

exists in access to technology, which extends already existing inequalities in access to key resources in the new economy.

The promotion of environmental amenities such as the recovery of a formerly-polluted river, improvement of the waste recycling system or the cleaning out of blighted areas in inner cities decisively contribute to the betterment of the quality of life of residents in a particular urban scenario, but also create opportunities for higher class housing, new businesses and additional investments. Planning museums or any other form of cultural entertainment facility as a mechanism to increase the attractiveness of an area has frequently been used by cities to create additional urban value. In both cases, environmental amenities or cultural facilities are gaining momentum in the creative economy as special icons in the urban scenario. However, both instruments share a Janus-faced result: while improving the conditions for urban living, they also exert pressure to displace on those who cannot assume the increase of urban value in the form of higher property rent or purchase prices. Frequently, despite the objective of value creation being clear and defined, there are side-effects, some of them totally

desirable and some others of a negative nature, that also take place in the area of intervention. The attractiveness or popularity of an area after an intervention of value creation might result in profound conflicts in the use of space by different actors.

As mentioned before, scientific parks or districts of innovation are spaces for investment attraction, the so-called «innovation milieus». And also as previously mentioned, creating urban value on the basis of targeting a renewed flow of investment needs to depart from the endogenous strengths that the territory has, avoiding negative spill over that threads the subsistence in the territory of other forms of production.

### **Food for thought (under the light of the turning point of COVID-19) |**

Worldwide, philosophers, economists and political representatives have lately been pointing to the breaking point that the COVID-19 pandemic represents. But it is not only experts doing so; civil society across social media, blogs and other form of expression is aware that the future has changed, because our present has been tragically, unexpectedly and deeply affected at a global scale by the pandemic restrictions, in several spheres of life. In addition to which, despite the current and future relevance of the pandemic in today's daily life, the planning strategies for creating urban value have been definitively altered.

Urban planners have traditionally faced a dichotomy between densification and urban sprawl. Socio-economic activity has evolved differently in urban spaces: sometimes because of the existence or absence of physical barriers to the growth of urban space (i.e. Barcelona, surrounded by two rivers, the sea and the mountains; and Madrid in the opposite scenario). Although the starting point is decisive (it is not the same to densify in Buenos Aires as Trondheim), in respect of environmental sustainability, densification offers cost savings, less pollution and better and more efficient use of resources. In fact, while the Global South is still witnessing rural migration to the urban centres, in the Global North strategies favouring

densification have been in place for a long while. However, it is precisely distance that it is required in times of pandemic: it need only be social, but it can also affect economic activity. As Sennett<sup>21</sup> refers to: public health and climate change might require different attitudes precisely with respect to the use of urban space.

As we have seen before, the settlement of economic activity has been a significant determinant of the residential dynamics of population. Many authors have devoted their research to analysis of commuting patterns within territory, the changing preferences of households with respect to work distance or the trade-off between distance and quality of life when deciding where to live. The phenomenon of shrinking cities or counter-urbanization evidences the loss of urban value of certain locations as a reflection of the changing economic and planning conditions of a city. Cities in Europe such as Leipzig, or Detroit in the USA, are frequent examples of this phenomenon. Despite this, cities in the Global South are still growing. However, the pandemic has evidenced the (already pointed out) huge possibilities of remote work. If residence and work become disentangled in the household location, if online shopping generalises, if local alternatives appear to overseas mass production etc., then we are witnessing a revolution in the essence of urban planning and spatial economics, as the declining cost of distance transforms the key decisions of where to live, where to buy or where to produce<sup>22</sup>.

The COVID-19 pandemic has brought onto the scene new possibilities for urban life, thanks to the combination of different technological devices and platforms. New technologies will also force companies and industries to rethink their role in the value chain. Potentially, a new feasible combi-

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<sup>21</sup> Retrieved from «The Guardian», Jack Shenker, Thu. 26 March 2020.

<sup>22</sup> K. Harris, A. Schwedel and A. Kimson, *Spatial Economics: The Declining Cost of Distance*, online publication, retrieved 20/04/2020, Bain & Co., 2016, available online at <https://www.bain.com/insights/spatial-economics-the-declining-cost-of-distance/>.

nation of distance, density and scale that are economically viable is being considered for all corresponding urban actors.

As mentioned in Harris *et al.*, with respect to the speed and scope of transformation given the declining cost of distance «...change will be faster, more expansive and more tumultuous for advanced economies than this generation of business leaders has experienced so far in their careers»<sup>23</sup>.

The COVID-19 pandemic should definitely be an example of how global connection stimulates governments and citizens to join efforts and combating the disease together. It is not only a health issue; it will probably have one of the most extraordinary effects on the global economy and, without doubt, on the global citizenship.

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<sup>23</sup> *Ibidem*, p. X.

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