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Understanding Sydney as a global city

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Abstract

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Keywords

global, sydney, city, understanding

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Understanding Sydney as a Global City

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ABSTRACT

There is an ascendant academic argument that key economic processes are increasingly built at the scale of the city and, in turn, that successful urban economies are increasingly detached from their traditional hinterlands. Cities, in this city-centric global economy, are argued to be immersed in and driven by globalised networks and connections. The process of a city becoming global, then, means that traditional territorial networks and linkages are variously dislodged, transformed and abandoned. While this argument is intuitively persuasive, it has tended to be underpinned by generalised analyses that are thin on their treatment of change drivers and on the new ways that cities now function. The temptation is for the emergence of a post-national metro-centric global economy to be assumed and for this assumption to direct the nature of urban economy inquiry. Drawing on the example of Sydney, in this paper we argue for the need to develop more grounded theoretical understandings of what drives contemporary accumulation and distribution processes in a global city. We sketch what might be learned—theoretically and empirically—from tracing the 'reach' of Sydney's economy through changing patterns of materials, information and financial flows to produce a spatialised political economy of the city. We argue that this grounded understanding will leave us better positioned, first, to understand Sydney's connection to a global urban hierarchy, second, to critically assess claims regarding the nature of that hierarchy and, third, to devise management strategies aimed to produce more efficient, equitable and sustainable urban outcomes.

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INTRODUCTION

There is an ascendant academic argument that key economic processes are increasingly built at the scale of the city and, in turn, that successful urban economies are increasingly detached from their traditional hinterlands. Cities, in this city-centric global economy, are argued to be immersed in and driven by globalised networks and connections. The process of a city becoming global, then, means that traditional territorial networks and linkages are variously dislodged, transformed and abandoned. While this argument is intuitively persuasive, it has tended to be underpinned by generalised analyses that are thin on their treatment of change drivers and on the new ways that cities now function. We need to develop more grounded understandings of what drives contemporary accumulation and distribution processes. It is also important from a policy standpoint to know the nature and strength of associations between economic processes and spatial

restructuring because effective land-use planning and decisions about the provision of infrastructure and services demand this knowledge.

This paper explores these concerns through (i) a critique of existing global city discourses, (ii) a reconceptualisation, focussing on the drivers of political economic change, (iii) discussion of how best to analyse the spatial dimension of the processes of capital accumulation, and (iv) some reflections on the implications for a case study of Sydney, Australia. We are not denying that a strong metro-centric thrust is a tendency in contemporary spatial patterns. Rather, the argument is that its form cannot be generalised from an analysis of ‘global cities’ that is already focused on pre-determined ‘usual suspect’ sectors (international finance, producer services, IT etc.). The latter approach both produces an inevitability and, by taking the ‘global city’ as **the** economy rather than a component of it, fails to question its drivers. Our preferred alternative ‘follows the flows’, both in terms of physical movements (of freight, trade and labour, for example) and financial flows (shaped by the interests of industrial, financial and property capital). It thereby situates the analysis of global cities in a broader spatialised political economy.

EXISTING GLOBAL CITY DISCOURSES: A CRITIQUE

The conceptual basis for understanding the new roles of lead urban economies is an area of growing research. Most popularly, there is an argument by Peter Taylor’s GaWC (global and world cities) project – depicted in his recent volume *World City Network* (2004) – that the globalised world economy has come to be driven by cities and the networks connecting them. In Taylor’s view, state-led accumulation projects (insofar as the nation is understood as an integrated economic unit with internal mechanisms targeted at redistribution) have become redundant, with national political territories simply the “mosaic” or staging points for city-to-city economic flows. Robinson (2002) summarises criticisms of Taylor’s approach, disputing the existence of a hierarchical order between tiers of global cities and drawing attention to the existence of territorial economies based successfully on non-global linkages and flows. Others (notably Jones 1997; 2001) assert the continued role of national accumulation and political projects in coordinating and driving sub-national territorial-economic development. To these criticisms we add a methodological concern: the Taylor project employs a narrow empirical base, being the connections between cities revealed in the GaWC 100, a list of the key producer services firms in the accountancy, advertising, banking/finance, insurance, law and management consultancy sub-sectors. The (worrying) presumption is that these corporate links are used singularly to represent both the nature and the direction of all links between cities. This narrowness needs to be overcome by including multi-sector indicators open to a wider range of scales and territorial occurrence. In other words, it is important to resist the conclusion, *a priori*, that producer services (or any sub-sector) singularly drive competitive territorial economies. When examining any particular city, our starting point should acknowledge the “blizzard of transactions” described by Thrift (1999: 272), crossing a range of sectors, traversing multiple scales¹ and including connections outside globalised circuits. The research questions then become: What are they? How do they operate? What is their reach?

A second body of literature emphasises how territorial economies are driven by spatial agglomerations called “global city regions” where advantages accumulate on the basis of geographic proximity. This argument is best represented by Allen Scott in an edited collection *Global City Regions* (2003). Like Taylor, Scott posits the scale of the urban as pivotal in the assembly of a successful contemporary mode of accumulation. The strength of the global city regions research work is in the intensity of its empirical investigations. Its weakness (see O’Neill 2003 for summary) is its presumption that observations about the mega-urban regions of the

¹ Thrift’s non-territorial conception of scale, however, would have these multiple scales discussed as variously long or short networks (see Smith 2003).

industrialised world (eg New York, Tokyo, London, LA) can be stylised into tenets about city economies in general. In addition, and like Taylor's project, the global city regions thesis contains scant detail of the intrinsic connections between 'city' and 'economy' as distinct analytical categories. An important consequence of this failure is that both Taylor's and Scott's approaches are silent on the distributional outcomes of the spatial economies they describe. This lacuna evidently needs to be filled by more coherent analysis of how wealth is created, distributed and redistributed within (and between) global cities.

A third set of arguments come from a prominent group concerned with the contemporary city economy that evolves from regulation theory (with a UK-European leaning). This body of work focuses on the emergence of the urban as a crucial accumulatory, regulatory and political space in the emergent new spatial grammar of neoliberal globalisation (Antipode, 2002 Special Edition Vol 34). It points to the scale of the urban as not just newly important in forging and regulating new regimes of accumulation (Brenner 2004, Brenner and Theodore 2002a, Keil 1998, Jones & Ward 2002, Peck & Tickell 2002), but also in the propagation of neo-liberalist economic/territorial governance practices. The argument runs that a new spatial configuration of global capitalism has emerged that is essentially metro-centric. Cities are taken to be key nodes of accumulation in globalised circuits of capital wherein primary economic transactions (and their organising mechanisms) are said to be concentrated within the city boundaries (Smith 2002). No longer sub-units of national economic space integrated into a nested national urban system, cities replace the territorial economies of nation-states, as "the optimal spatial scale for capital accumulation" (Yeoh 1999:609) in a "city-centric capitalism" (Brenner 1998: 8). As Brenner (1998:4/5) put it, "cities...rather than the territorial economies of states are (world capitalism's) fundamental geographical unit...(they have) primacy as the geographical engines of the world system". Broadly, this literature is sensitive to distributional outcomes and to the new and complex ways that economies are spatially reconstituted, with a particular concern for the ways that secondary urban economies and other regional economies become disconnected from economic heartlands, be they domestic or global in origin/operation, with redistributive interventions no longer even considered a policy option (Jonas and Ward 2004). So, according to the regulationists, upheaval in "interscalar relations" (Brenner & Theodore 2002a: 341; also Smith 2002, cf. Cox 2001) derives simultaneously from economic and political processes. Importantly, though, they indict the urban as the key scale for assembling power over accumulation and distributional systems, and their territorial governance. In other words, the urban is seen as displacing the nation as capitalism's essential organisational domain.

This perspective on global cities and the metro-centric economy is useful but we worry that it is taken as proven, and as the new theoretical orthodoxy, especially given the paucity of empirical support. These assertions need to be accompanied by study of the contingent conditions that characterise particular cities, to the drivers of change, to the characteristics of less globalised sectors, and to related inter- and intra-city distributions. Understanding these drivers and features of urban change and the importance of contingency in 'actually existing' urban economies potentially helps to push through the problem of generalising from the metro-centric storyline.

KEY CONCEPTUAL DILEMMAS IN ANALYSING GLOBAL CITIES

So what does this mean for a research program analysing global cities? First we need to recognise that multiple historical and cultural processes generate diverse characteristics in global cities and, moreover, global cities are not 'just' global. Many facets of a global city also appear in 'non-global' cities and, indeed, in non-cities, and vice versa. In a global city, for example, local production for local consumption provides elements of continuity even while other sites of the economy become restructured to serve distant markets and draw on distant resources. So if global cities are not comprehensively global, uniquely global, or perpetually global, there is need to identify the specific

forms of spatial hegemony by which a city asserts both its regional dominance and its representative global articulation.

Secondly, in an economic sense, there is need to dismantle the city's activities into a range of constituent processes which will reveal these forms of spatial hegemony. It is appropriate to focus on capital accumulation and circuits of capital as the means by which wealth is created and distributed. The focus on circuits of capital emphasises the stages in the accumulation process – acquiring the initial capital, purchasing labour power and other factors of production, organising production, marketing products, arranging finance, and so forth. This is where the traditional concerns of political economy interact with contemporary concerns of urban geography. Seeing accumulation as the central dynamic of a capitalist economy focuses attention on the way in which the conditions and opportunities for profit 'play out' spatially.

Moreover, this focus is going to be far more revealing than simply a series of sectoral profiles, for it opens up the analytical question that different sectors link globally in different ways, and have different modes of linkage. The different roles of industrial capital, financial capital and property capital, for example, come under scrutiny, revealing potential conflicts between them and thereby showing why processes of accumulation are almost invariably uneven (Stilwell 2005). None of this presumes that the function, form or networks of 'global cities' can be 'read off' from general theoretical propositions in political economy (see Smith 2001). Rather, what it suggests is that the necessary analytical linkage is between this analysis of the processes underpinning capitalist development and the specific spatial forms and chains of connection to which this can be seen, empirically, to give rise.

Third, attention must be paid to the changing relationships between 'fractions of capital' or what might also be framed as different positions in the circuit. The ascendancy of finance, the implications of its 'hyper-mobility', and the process often called 'financialisation'² warrant particular attention in this context. Land and property capital has an essentially 'grounded' dimension. So too does industrial capital to the extent that factories and other productive facilities cannot be relocated without expense and potential decline of asset values. The capitalist fantasy of 'factories on pontoons' being towed around the world and moored up in whatever country offers the lowest wage rates and tax rates, or the most lax environmental regulation, remains just that – a dream/nightmare fantasy³. In practice even 'footloose' industries have a grounded character. But financial capital is subject to no such spatial heavy-footedness. Its so-called 'hyper-mobility' has grown alongside the proliferation of ever more complex financial instruments such as derivatives (Bryan and Rafferty 2005). How the tension between these different elements in the capital accumulation process plays out has a crucial bearing on the changing patterns of urban and regional development on a global scale.

Indeed, there needs to be an important distinction made in relation to finance. On the one hand, we can identify a finance 'sector' of banks, insurance companies, pension funds, broking houses. The prevalence of these as a financial centre, usually in the 'dress circle' buildings of the 'top end' of town, is a hallmark of a global city. While they are not grounded like a factory, they are unlikely to abandon sites of accumulation (although, like a factory, they can steadily over time expand and contract the scale of operations) (see Amin 2001). On the other hand, there are financial processes such as lending and financial trading which are not site-specific. As these activities have become

² Henwood (1997) notes astutely that the word financialisation is always put in inverted commas, because no-one really knows its meaning

³ San Diego-based IT firm Seacode Inc's plan to moor a refitted cruise ship accommodating 600 migrant software engineers 5km off the coast of Los Angeles, 160 metres past the state line of territorial waters, and beyond the reach of visa and U.S. rates of pay, remains very much the exception (see Wright, G. 'Taking technology jobs offshore could create a sweatship', SMH 23/24.04 05).

increasingly electronic, physical location becomes largely arbitrary (or tax-driven) and merely a product of history and the perceived benefits of clustering. We can associate this latter process with “global financial space” (Leyshon 1996) or, in a more exaggerated way in the context of financial derivatives, Pryke and Allen (2000) have referred to monetised time-space. Finance is, therefore, both a site-specific driver of accumulation, steering decisions on investment, production and consumption, and an a-spatial arbiter on *which* accumulation occurs *where*. In this respect, cities may be ‘global’ because they encompass regional discretion over accumulation and transmit global competitive norms at the same time.

Fourth, and following the issues of positions in the circuit of capital, is the focus on the importance of ‘networks’. Networks of economic relations, not only between capitalist businesses operating within the circuits of capital and fractions of capital just described, but more generally integrating economic institutions, are a pervasive feature of the current era. Tracing what they actually are is the research task, rather than generalising a meta-narrative from particular (and particularly internationalised) sectors. Cities can be both links in supply chains and centres from which supply chains are managed. Some networks have ‘global reach’ while others provide interconnection and integration at the local scale. There is no reason to presume in general that the former dominate over the latter, or that global cities are defined as being those areas where the former type of networks dominate over the latter. The growth of some sectors, such as finance and business services, have been associated with increasingly internationalised networks but, even in those sectors, much of the activities remain locally focused (Jones 2002). Banks, accountants and financial planners serving small enterprises and neighbourhood institutions and individuals co-exist with the more globalised networks. It is critical to determine whether there is evidence that global linkages in any discernable way systematically order or structurally control these local linkages. For example, do global bank strategies impose directly onto local bank lending practices? Are local financial planners impelled by the incentives offered by global securitisers?

Finally, questions need to be raised about cities as ‘brokers’ of economic activities. To some extent this brokering role falls out of the traditional centrality of the urban economy, as the loci of an accretion of strategic decision-making moments that shape the spatiality of accumulation and distribution pathways. As the economic management of major cities themselves—as key sites in the accumulation strategy of dominant global industries—gains in strategic importance, this brokering role takes on a different inflection. Coupled with this is the neo-liberal shift of the activities of ‘regulation⁴’ and co-ordination towards collaborative networks of state and corporate actors whose strategic interests are urban-based (see McGuirk 2004). These are the mechanisms whereby cities are emerging as strategic sites of governance and capitalist regulation. Yet their emergence is path dependent and, of necessity, must be realised through a process of institutional formation and institutional performance, with necessarily contingent outcomes. The point here is not to claim that the changing character of ‘brokerage’ takes any predetermined forms or generates any particular spatial outcomes. Rather, it is that here is another dimension of urban economic change that needs consideration in empirical analysis.

‘SPATIALISING’ GLOBAL CITIES: TRACING THROUGH THE BLIZZARD

Analytically, the conceptual dilemmas we have just framed must be configured as beacons in Thrift’s blizzard of transactions. As dilemmas, they do not describe a single path of interpretation, but they set useful terms of interpretation. The question is how is this interpretation conventionally undertaken, and how does our approach differ? Broadly speaking, there are two methodological alternatives for translating the above concerns into empirical research. The first requires prior

⁴ We use the term regulation here in the sense adopted by the French regulationists, to do with the maintenance of regularity in accumulation.

specification of each relevant region and its sub-regions for the purpose of studying where wealth is created, how it is redistributed spatially and the implications for social coherence, equity and environmental quality in global cities. This is a well-established approach in critical urban and regional studies (eg. Stilwell 1980). It is sometimes driven simply by considerations of data availability. A metropolitan area may be defined, for example, in terms of the jurisdiction of the city government, (or some combination of its constituent local governments) because that is the spatial basis on which information is available about population, jobs, property values, tax revenues, and so forth. The component sub-regions may reflect conventional distinctions between affluent and poorer suburbs; inner, middle and outer rings, and so forth. Notwithstanding the pragmatic appeal of this methodology, it is restrictive of research findings. It takes the spaces of the city and its regions as ontologically prior to their modes of engagement, and thereby resolves too many open questions simply by assumption (see Amin 2004). After all, it is precisely the changing 'boundaries' of the city – and its changing internal characteristics too – that need to be understood. If the processes whereby global cities are being developed and re-shaped is the object of the investigation, this must be reflected in the approach to their spatial definition.

This is a chain of reasoning that suggests a global city – or any urban area - needs to be defined primarily in terms of its 'reach', but where there is no singular unit of 'reach': the reach of finance is different from the reach of production and consumption, and different types of production and consumption have different spatial reaches. Of itself, this point is neither surprising nor profound, but it does dictate the need to think critically about exactly how reach is to be defined and benchmarked (see Smith 2003). Hence the need for empirical focus on changing patterns of flows – of goods, people, and finance – and the variations in the spatial forms of each. This is a more fluid data-driven process, whereby the 'reach' of the city and its internal interconnections are identified through empirical research. This is easier said than done, of course, if only because of Short's (1996) "dirty little secret" of global city research, ie. that the data are not widely available in comparable forms and are dominated by 'state-istics' rather than statistics relevant to understanding the changing form of the urban economy.

Nevertheless, some important propositions emerge from this rejection of traditional approaches to 'urban delineation' and 'regionalisation'. Most obviously, the presumed unity of the urban economy must be questioned (Amin 2004, Massey 2005). Second, rather than attempt comprehensive economic mapping there is the need to develop illustrative heuristic case studies. This more open-ended character has fundamental implications for empirical work and research method that become clearer in the context of studying particular 'global cities'.

TOWARDS A CASE STUDY OF SYDNEY

A case study of Sydney can reveal the value of deploying the analytical dimensions outlined above to guide investigation of the 'blizzard' embedding an urban economy rather than presuming a prescribed form/ and reach. Why Sydney? Most obviously because the greater Sydney metropolitan region is where we live and work and where for many years we have been interested to observe the patterns of urban change, their drivers and the spatialisation of social and economic consequences. Also because, as Australia's principal contender for 'global city' status, Sydney provides a particularly interesting illustration of the interaction between spatial inertia and the restless dynamic of capital accumulation. Moreover, it offers a fine example of a city as 'broker' of economic change. Conscious manoeuvring to reposition Sydney within global networks of capital flow on behalf of state and corporate actors ensures this. With rapid economic change in industrial composition and shifts in government policy agenda, Sydney is a conspicuous issue for analysis and for policy attention.

The city offers an outstanding international case study of a globalising urban economy producing economic and political re-territorialisation. In a nation that is relatively small economically, albeit huge geographically, and peripheral to the major centres of global political economic power, the Sydney region has become increasingly re-oriented to the international economy. Locally, this is commonly seen as a reason for celebration, as represented by publications sponsored by the local and state governments, although it is not uncontested by the other States, such as Victoria, whose governments have engaged in vigorous ‘place marketing’ in the attempt to capture a larger share of the nationally and globally mobile investments (see, for example, Engels 1999). Certainly, Sydney is cast as the national engine of growth. Indeed recent reforms in the NSW planning legislation were packaged as being necessary to ensure that Sydney could maintain its “status as the nation’s economic powerhouse” (DIPNR 2005).

Alongside its economic and demographic growth, the Sydney basin has become a focal point and driver of major structural change. While investment and employment in manufacturing have declined relatively, there has been major growth in services, most notably in those segments linked to the financial, property and business activities. Hence Sydney – with 66% of all NSW employment – over-provides in finance and insurance (84% of all jobs), property and business services (79%), communications services (79%), and cultural and recreational services (75%) sectors (DEWR 2002). Moreover, employment growth in Sydney in these sectors is significantly higher than the average for all NSW sectors for the 1996-2001 inter-censal period (increases of 11%, 24%, 6% and 13% respectively for the abovementioned sectors, against a NSW average of 8%). These shifts have major reverberations in markets for capital, real estate and labour.

Research into the urban and regional reconstruction and re-territorialisation of the Australian economy, led by Sydney’s surge, is not well advanced. To date, there has been no systematic audit of Australia’s urban- and regional-economic hierarchies since the upheaval of Australia’s spatial economies in the 1970s (identified by Stilwell 1980, and Daly 1982, for example). Since then, not only has the post-war order of State-capital-city centred urban hierarchies been overturned (Pritchard and McManus 2000), there is now little to be gained by using 1970s studies of post-war urban systems (e.g. Logan et al. 1975, Scott 1978) as a conceptual and methodological base. More recent studies of Sydney tend to be based on geographically or sectorally selective data (e.g. Murphy and Watson 1994, Connell 2000, Gibson et al. 2002). O’Connor et al (2001) and DIPNR (2004) build a broader base and provide a more comprehensive coverage of SYdney’s repositioning yet they leave much data to be explored. At the same time there is a range of nationally-based studies which allude to the reconfigurations of Australian territorial economies, specifically by their interest in the growing socio-spatial inequality being generated. Notable here is work by Gregory (see Borland et al, 2001), Fincher and Saunders 2001, and regional employment/unemployment cycles studies by Dixon et al., (eg 2001) and Mitchell & Carson (2003). Much of this literature is reviewed in Saunders & Taylor (2002). Yet while these works provide insights into Australian distributional systems at various spatial scales, they fail to identify underlying drivers of capital accumulation processes especially at fine-grained spatial scales. From the perspective of spatial political economy, then, much remains to be done.

Addressing Sydney’s re-territorialisation in the light of globalisation-derived urban and regional reconstruction requires a series of analytics to be pursued. By following the reconceptualisation of the global city research framework we outlined previously, this analysis will provide greater clarity on the specific drivers of reterritorialisation in Sydney’s case, and on the spatiality of their related accumulation and distributional flows. We argue too that this approach overcomes the problem of assuming the form and reach of the global city economy, rather it ‘follows the flows’, both in terms of physical movements (of freight, trade and labour, for example) and financial flows (shaped by the interests of industrial, financial and property capital). It thereby situates the analysis of global cities in a broader spatialised political economy

Specifically, then, the key analytical foci are:

- The realignment of the Sydney basin economy with new and different national and global circuits of capital including, though not exclusively, those generated by advanced producer services. This realignment comes with new types of workers, different forms of value-adding, different corporate players, changing importance of TNCs in various economic sectors, alongside growing roles for international institutions (see Bryan and Rafferty 1999, Stilwell 2000: ch.3, O'Neill 2001).
- The assembly of new territorial-economic relations often between different spatial units operating at different scales. Such relations seem to have substantially displaced the territorial-economic relations among cities and regions forged under the federal arrangements of Australia's post-war settlement (Kelly 1994, 2000), arrangements that fell into crisis in the 1970s (Stilwell 1980). The implications may include the development of new economic relations among Sydney and other State primates, Canberra, and a range of urban areas and regions especially along the eastern seaboard.
- The generation of a range of territorial-economic reconstitution processes with both accumulation and distributional outcomes within the Sydney basin and across the economic regions which Sydney affects, following decades of significant structural economic change (O'Neill 1996; Stilwell 2000, ch.19). Here we are concerned with the consequences of changing patterns of relations between Sydney and its hinterlands, including changes to the internal dynamics of 'global Sydney' and its suburban regions (Fagan 2000), the changing place of secondary centres like Newcastle and Wollongong, the growing displacement of non-coastal regions from commodity chains (Pritchard & McManus 2000), and the complex shift in the roles of NSW coastal settlements (Salt 2001).
- The development of specific policy responses (or indeed driving other regulatory desires through the urban) across all tiers of government, including urban and regional economic planning (Australian Geographer 2002, 33), infrastructure provision (Troy 1999), and urban governance practices (M^cGuirk 2003). An important focus here is the assessment of the nature, extent and appropriateness of the regionalisation and localisation of policy responses to economic imbalance between territorial economies.

CONCLUSION

The analysis of 'global cities' has become a major growth industry in modern urban and geographical studies. Much existing analysis is concerned mainly with illustrating particular features that are said to distinguish global cities from other places. For this purpose, the spatial definition of the relevant areas is taken as pre-determined. The alternative methodology proposed here is more fluid. It traces changing patterns of spatial interconnection across multiple scales to reveal territorial localisation as well as globalisation. Furthermore, it defines the relevant areas in terms of the 'reach' of the city in relation to the varied spatialities of sectoral transactions and networks. Underpinning this approach is the conceptual proposition that the process of capital accumulation, although providing unity to the functioning of the political economy, generates diverse spatialities. For Sydney, the approach outlined here will enable us to derive a richer understanding of the nature of Sydney's dominance in the Australian territorial economy; of how its historical connections have been displaced and new connections built; of who and where are the territorial winners and losers; and, finally, of the interplay of national political spaces and newly emergent regulatory spaces in the governance of its new connections and networks. This understanding will surely be critical to the development of management strategies capable of enhancing the city's efficiency, equity and sustainability.

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