their production systems, finance, resource usage and in the environmental problems that they cause and suffer. Urban hinterlands now overlap, and in many cases one city will be part of another's hinterland, and vice versa (Figure 2.9). Under these circumstances, where cities around the world, which form part of a greater dynamic system, collaboration, not competition, is the key to success, and specialization is only sustainable within a broader regional framework (Harrison *et al*., 2004).

The new context: the knowledge economy

The key factor in the new urban context outlined above is the fundamental economic shift that began to emerge in the late 1980s. This new context, sometimes called the 'New Economy', but more appropriately referred to as the 'Knowledge Economy' is becoming the defining paradigm of the way we live and work in the 21st century (Harrison *et al*., 2004). The most obvious manifestation of this is the Internet, and its influence on business and economic production has been extraordinary (Shapiro *et al*., 2000). However, the changes brought about by this new economic paradigm run far deeper than the emergence of a single digital tool. The knowledge economy is not just about the digitization of economic processes, but embraces three contemporary economic revolutions:

- **A revolution in the use of technology in business, based on information and telecommunications technologies**

- The formation of an integrated world economy through globalization
- The emergence of entirely new forms of economic production and management, to the extent that the output of the information economy is now a significant part of the global economy, and a major contributor to real US economic growth (Shapiro *et al*., 2000)

At the same time, two simultaneous spatial phenomena have taken place, and these will have major implications for 21st century urbanism. Firstly, economic activities are becoming spatially dispersed, and this trend will continue as people have the opportunity to work anywhere, at anytime (Harrison *et al*., 2004). And secondly, knowledge workers require an increasing level of interaction with one another to achieve their project goals. This interaction does not necessarily require face-to-face communication. However, the natural social gregariousness of humans, coupled with the value created by informal, unplanned and unpredictable interaction, is likely to increase the need of people to come together in physical space (Harrison *et al*., 2004). This is particularly evident at top management level, where new forms of territorial centralization of control are emerging.

At its broadest level, the knowledge economy is about creative people coming together to add value to work, through the exchange of information to generate new ideas. Keynesian economics supposed that consumption would be the driving force of the economy, yet current theory suggests that ideas that is new ways of thought leading to technological advances and inventions will be the economic driving force of the future. It will become necessary therefore to reverse the attitude that considers the environment and society as serving the economy, rather than the other way around. Economic growth will become dependent on doing more with less, or doing without (Hansen, 1999).

The two spatial trends identified above will therefore have major implications for cities. The increasing dispersal of economic functions, the ability to work anywhere and at anytime, provides a renewed emphasis on the quality of place as a primary factor in locational choice. At the same time the territorial centralization that is emerging for continued social interaction implies a new strategic role for particular cities that are able to position themselves at the centre of this new paradigm. What these two implications have in common, is an emerging focus on people as the primary variable.