The Ten Most Dynamic Cities

If America is the world capital of reinvention, then Las Vegas is its heart. Every year it attracts tens of thousands of new residents, looking for a new life, a big break, a second chance. And increasingly, they are searching beyond the famous casinos.

Sin City is branching out. The share of Vegas residents who work in the resort industry has fallen from 26.2 percent to 19.8 percent in the last decade, as more options emerge. The casinos remain a magnet for everyone from downsized industrial workers to retirees and Latino immigrants. But the city is increasingly drawing spinoff industries in high tech, finance and manufacturing, often lured to a little-known fringe benefit of gambling. Thanks to the 24/7 needs of the casinos, Vegas boasts one of the best broadband- telecommunications networks in the United States.

City fathers are starting to press this advantage. Companies like Qualcomm now use Vegas as a logistics tracking hub. IGT and Sega are developing virtual gaming technology here rather than in traditional entertainment hubs like Los Angeles. The most favorable state-tax regime in the United States (no or low corporate, personal income and payroll taxes) helps, especially compared with the rising costs, regulation and real-estate prices in neighboring California. The Nevada Development Authority estimates that 40 to 50 percent of the businesses it has recruited in recent years relocated from California.

City leaders are also doing what they can to fuel the nascent bio-tech and health-services sector. Grants and research opportunities connected to the Nevada Cancer Institute, opened nine months ago, have already attracted 15 new life-sciences companies to the Vegas area. A new science and tech park at the University of Nevada, Las Vegas, aims to generate top tech talent.

Las Vegas has also moved beyond the Strip geographically. Bedroom communities like Henderson house a growing middle class. A typically Western entrepreneurial spirit thrives here, even as Sin City has long since retired its wild edge. Pensioners are a big source of growth, and will help fill a new MGM resort-and-residential-condo community, one of the first of its kind in Vegas.

The impact on jobs is already striking. In the first quarter of this year, while the number of jobs in the United States grew 1.6 percent, the number in Clark County (Vegas and its surrounding area) grew nearly 7 percent. Most of those were in the casino sector, but jobs in financial services and manufacturing (in firms making things like plastics and metal products) were up more than 5 percent, year on year.

Even if its values are increasingly mainstream, Vegas's growth is an outlier. Its population has been rising nearly a full point faster than the next fastest-growing U.S. city (Charlotte, North Carolina), and that poses challenges on a scale unique for the United States, like how to create social stability in the face of a huge influx of unskilled labor, and how to open and staff a new school district each year. Still, plenty of struggling second cities would love to have the neon mecca's troubles.

Any idea which city in Japan is nearest to Shanghai? Or to Seoul? The answer to both is Fukuoka, which likes to call itself "the closest city to Asia." In a sign that the threat of hollowing out in Japan has been overhyped, many big brands from Toyota to Sony, Toshiba and Canon continue to pour money into manufacturing in and around Fukuoka, the capital city of Japan's southernmost island, Kyushu. All these companies say geography and fast shipping still matter. So does staying close to Japanese suppliers. And Canon, for one, says its plants are so highly automated that Japan's high labor costs hardly matter. The result: investment in manufacturing on Kyushu has grown as fast as 52 percent in recent years (though it slipped to 4 percent last year). Locals now refer to Kyushu as Car Island, or Silicon Island.

Fukuoka is riding the Kyushu factor. Mayor Hirotaro Yamasaki has been aggressively marketing the city as a gateway to Asia since he took office in 1998. Of course, such bold ambitions are almost as common as port cities in this region, but Fukuoka is among the few that are really making it happen. The city's main port, Hakata, is handling 50 percent more shipping containers than it did just six years ago. The local airport is bustling. The regional highway network is both well developed and less crowded than on the other islands of Japan, another Kyushu advantage that draws big name multinationals.

Toyota has built its second manufacturing base in Japan (the first was in Nagoya) on Kyushu. And this year the world's leading automaker began shipping its luxury Lexus models to China out of Hakata. Local officials say this link between the world's leading car company and its largest consumer market is a sign that Fukuoka has become key node in the global economy.

Nor is it just trade that's flourishing. Robust growth for the high-profile corporations has spawned job growth in the service, retail and information-technology companies that cater to them. Fukuoka has long been popular among Japanese tourists for its rich cultural heritage, which dates back 2,000 years, and its famous Dontaku Festival each spring, which has roots in a 17th-century shogun ceremony and features hundreds of costume parades with. Now the number of foreign tourists is on the rise, too, up 50 percent in the last six years. "There is no doubt that tourists from Asia are boosting consumption here," says Kazuya Matsuda, an official of the Economy Ministry who is based in Fukuoka. "And [Fukuoka] attracts young shoppers from across Kyushu, too. They are bringing energy to the city. It's enormous."

So far the foreign visitors are coming mainly from nearby South Korea, but that could change if Fukuoka realizes its growing ambitions. The city is bidding to host the 2016 Summer Olympics, going up against much bigger rival cities--including Tokyo.

Half a percent growth would count as stagnation in many countries. But in Germany, where most cities are shrinking along with the overall population, thanks to a rockbottom birth rate and barriers to immigration, it's a veritable boom. It also puts Munich at the head of a small elite of European cities growing against the receding tide, from Göteborg, Sweden, to Helsinki. Not that this is an entirely happy success story, for a receding tide leaves everyone scrambling just to stay afloat. "The competition between successful and less successful regions is getting more intense," says Reiner Klingholz, director of the Berlin Institute for Demographics and Development.

In Germany, the rich south is booming, while the rural east and blighted industrial west are emptying out. In this battle, says Klingholz, success feeds on success. Munich gets a big lift from "soft" lifestyle factors that attract young techies and entrepreneurs. Bavaria, the region surrounding Munich, likes to think of itself as Germany's California--a sunny and clean haven of high-tech firms and beer gardens. Germans consistently rank Munich as the place they'd most like to live.

Jobs are plentiful, a rarity in Germany's labor market, anchored by defense and electronics giants such as Siemens, which has been here since the 1950s. Today, Munich's 18,000 IT and bioscience companies represent Europe's biggest concentration of start-ups, according to Boston Consulting Group. Tourism and media are growing employers as well. The question, experts say, is how long any city can buck decline. As baby boomers start dying out--or retiring elsewhere--even Munich may eventually have trouble keeping its momentum.

The gritty inner London suburb of Stratford has one unlikely allure: 170 acres of leveled mud in an abandoned rail yard. This is the last large undeveloped tract close to the heart of Europe's fastest-growing capital, but not for long. Planners envision this wasteland as the site of the 2012 Olympic Games and the last in a string of planned settlements along the Thames, to house some 140,000 new residents.

London is one of the few global capitals that continue to grow faster than its nation's second cities. Standing at the center of a hot sector (finance) of the booming global service economy, London is Europe's top destination for foreign investors, well ahead of Paris and Moscow. Its imperial past has given it a relaxed attitude to immigration, and a pool of cheap labor. The nation's air and rail links to the world now run mainly through London. And the authorities take an indulgent line on market forces: as Paris still forbids the skyscraper, London is preparing for a new clump at the heart of the city. "The only real rival we now have is New York," says Lauren Preteceille of London First, the agency that promotes business in the capital. Trouble is, Britain's second cities can't keep up. Compared with more decentralized countries like Germany, Britain has always revolved around London. Over the years, the central government has reduced the autonomy of second cities like Birmingham, which complains that London gets an unfair share of everything--public money for infrastructure, top grads, corporate HQs. But national leaders worry less about Birmingham's ability to keep with London than London's ability to compete with new rivals like Shanghai. So don't expect the capital to cool down.

France's dynamo is a pink-brick city with a 17th-century feel, but its dynamism is powered by jets.

Call it the Airbus effect. The industrial revolution had all but bypassed Toulouse when local engineer Clément Ader got a flying machine off the ground in 1890 (13 years before the Wright brothers at Kitty Hawk). From that bouncy start emerged Europe's aerospace capital. Airbus accounts for a quarter of industrial employment in the department of Haute Garonne, of which Toulouse is the capital. Each Airbus job generates two more in related companies, making Toulouse a leading multinational company town, alongside the likes of Nagoya (home of Toyota) and Bentonville (Wal-Mart).

That's great when the multinational is flying high. Record Airbus sales in 2005 meant boom times. The Toulouse suburb where Airbus HQ is located, Blagnac, now has "a head of state visiting every trimester," marvels mayor (and Airbus alum) Bernard Keller, over the din of construction. Toulouse's own suburbs are growing even faster than the center. "Airbus used to build two planes a month. Now it's 35!" enthuses Claude Terrazzoni, head of the chamber of commerce, rattling off companies--Honeywell, Goodrich--that have set up to serve Airbus.

Some efforts have been made to diversify, for example by creating a European hub for cancer research, and wisely so. Now that Airbus has come up against uncertainty, as production troubles delay its new A380 superjumbo, Toulouse's vulnerability may be exposed. "It's Airbusville!" says Philippe Hugon, author of a history of Toulouse and chief editor of the local monthly Toulouse Mag. "A problem with Toulouse is its mono-industry." And that's an industry all too familiar with bumpy rides.

The Star of Nanchang is, unofficially, the world's highest Ferris wheel at almost 162 meters. At night the wheel lights up blue and red with giant neon characters that read, "Nanchang WELCOMES YOU!"

It welcomes a lot of people. Nanchang is one of the hottest cities in China, which boasts more fast-growing cities than any other nation by far. Thus the gawdy star marks the epicenter of the global rise of second cities, none more surprising than Nanchang. Though rich in history--a towering seventh-century imperial pavilion rises not far from the Ferris wheel--Nanchang had all but fallen off the economic map before China's investment boom began to move inland from the coast a decade ago. Today it is still the gritty capital of Jiangxi, China's poorest central province, but that's changing as foreign dollars and migrant workers pour in. Cows graze near five-star hotels on the Gan River, and there are almost as many construction sites as buildings.

The turning point dates to 1995, when Ford bought a stake in local Jiangling Motors, which recently posted a 173 percent rise in quarterly profit. Soon after Ford announced plans to add 2,000 new workers in China this year. Its success in Nanchang has rippled across the city, to suppliers like the Nanchang Gear Co. The maker of steering columns and transmissions is growing at double-digit rates, says company regional manager Gui Qunhua Gui. "It's not just the automotive industry," adds Gui, gesturing to a jet plane and a pyramid of beer bottles at a recent local trade show. "Every industry in Nanchang is prospering."

He predicts that because small Chinese cities like Nanchang can grow faster than large rivals, they will begin attracting more speculators and investment. Albert Hawk, founder and chairman of Corstone Capital, couldn't agree more. The U.S. firm has been buying distressed loans and real estate in Nanchang for two years, and Hawk sees huge potential in "these second-tier cities that are only now beginning to take off."

Too fast, at times. With growth overtaxing the electric grid, local leaders prohibited the sale of air conditioners last summer (in a city where the heat breaks 40 degrees Celsius). Still, the mood is bright. Known as the birthplace of Chinese communism because the revolutionaries staged one of their first major uprisings here in 1927, Nanchang today sees itself as the future of Chinese capitalism.

The economy of Moscow is booming like that of no other city in the developed world, in large part because Russia is still a fringe member of that club. Though it is now one of the G8 group of leading industrial democracies, Russia remains a highly centralized autocracy run out of Moscow, as it has been since Tsarist times. The capital remains the unchallenged magnet for the nation's money and brains. Evidence of the incoming wealth and energy is everywhere, in Soviet-era apartment blocks now draped in garish 15-story-high ads, in skyrocketing apartment prices and in packed restaurants, nightclubs and gyms.

Moscow is an outlier in many other ways, too. It's the booming capital of a shrinking nation, in which the population is falling at a rate of 700,000 people a year. Indeed, it is one of the very few Russian cities that are actually growing, enjoying a wealth-fueled baby boom as the national birthrate hovers below replacement levels. It is also the only Russian city getting a major boost from migration: the official population of nearly 11 million doesn't include some 5 million unregistered newcomers from Russian provinces and former Soviet states, says Igor Kuznetsov, a senior demographer at Moscow's Institute of Sociology.

These Tajiks, Moldovans, Ukrainians and others have formed one of the greatest internal migrations the world has seen in recent decades. Foreigners are coming too, for the first time, and the capital now has its own "Little Vietnam." The newcomers are triggering a building boom of vast proportions, one that is also unprecedented in Russia. More than 3 million square meters of new living space will be built just in 2005 and 2006, according to the Mayor's office. And more than 500 luxury communities have sprung up on the outskirts of the capital.

Russia's recent good fortune is built on oil and gas fields in the wilds of Siberia, not on industry or technology. Consider the contrast to China, where entrepreneurs need labor and land to expand factories, and scores of second cities are flourishing. In Russia, oilmen need concessions--Kremlin favors--so they stick close to Moscow. "Moscow is a big pump" that sucks up cash and people from the rest of Russia, says Kuznetsov. Moscow is now home to 25 billionaires (two more than London).

All that wealth is trickling down. The Bentleys on display in the city center are obvious--but a more telling indicator is a spike in sales of more modest cars like the Mitsubishi Lancer, or the middle-class swarms at the city's two IKEA stores. These folks are the real mass driving Moscow's remarkable population growth.

In old Ghaziabad--20 kilometers outside New Delhi in the north Indian state of Uttar Pradesh--ancient green-and-white three-wheeled Tempos that double as buses career alongside a tangle of bicycle rickshaws, buffalo-drawn wagons and pushcarts. Tiny, no-name manufacturers advertise rubber gaskets, gears, machine tools. You'd never guess Ghaziabad is India's hottest city.

But thanks to skyrocketing real-estate prices in the capital, Ghaziabad is emerging as the next popular address for Delhi-bound commuters. In residential pockets on the outskirts like Indirapuram, posh new developments are sold out. The largest developer, Shipra Estate Ltd., has built 7,000 two-, three- and four-bedroom flats, all of which are already occupied, says Vijay Sundar Raj, manager of sales and marketing. Many of the residents commute to IT jobs in neighboring Noida and Delhi.

Strategically located on the old Grand Trunk Road from Bangladesh to Afghanistan, Ghaziabad was targeted by the state for industrial development in the 1980s. Today the city is home to more than 14,000 small-scale industrial units and larger plants run by giants like Coca-Cola and the International Tobacco Co., which still provide most of the jobs in Ghaziabad proper. For all the new luxury high rises, Ghaziabad today is one of the most heavily industrialized cities in Uttar Pradesh.

The forecasts of rapid population growth, however, have more to do with New Delhi. Despite attempts to bar new industry within the capital, Delhi still creates more new jobs per year than the southern Indian IT centers of Bangalore and Hyderabad. "Delhi is a very big magnet," says S. K. Zaman, a top planner for Uttar Pradesh state, ruefully reflecting on the government's failure to contain the capital's population, which has grown by 50 percent every 10 years for the last half century, and now stands at around 14 million.

Authorities are having more success shifting at least some new growth to the outskirts. New roads, concessionary land prices and other schemes are drawing companies like Samsung, Honda and Siemens to satellite cities like Gurgaon and Noida. With its excellent highway connections to Noida and Delhi, Ghaziabad is starting to reap the benefits. Though it still doesn't have the cachet of Noida, it boasts cheaper land, and the completion this summer of the controversial Tehri Dam should help prevent frequent water and electricity shortages. None too soon. The city is already building a village to host the 2010 Commonwealth Games. And plans for both a new expressway and a second Delhi international airport on the east side of the capital should help put the entire region, Ghaziabad included, on the global map.

Until the early 1990s, this was quiet farm country on the Han River, lined with barbed wire to keep North Korean infiltrators at bay. But as relations with the North thawed, Seoul began building residential high-rises at Ilsan, now the core of the city of Goyang. With its man-made lake and vast flower beds amid woods preserved by the cold-war development freeze--all just 30 minutes by subway from downtown Seoul--Goyang has proved wildly popular. Its population has quadrupled in the last decade, and now includes some of the richest people in South Korea. Kim Doo Ik, a resident since 1995, boasts that Goyang is the most "pleasant and convenient" of all the "bed towns" popping up around Seoul.

Who says the state can't pick winners? Now, however, Goyang is fighting state pressure to build yet more apartments. It wants to bring in jobs, not more people--mirroring a debate raging in satellites of Seoul from Bundang to Pyongchon. The mayors of all these towns are from parties opposed to the populist, blue-collar president, Roh Moo Hyun.

Goyang Mayor Kang Hyun Suk says that what they want is "quality, not quantity" of growth. Goyang has opened a convention center and is building a theme park, Hallyuwood (for South Korean *hallyu pop culture*), aiming to capitalize on its location at the end of South Korea's main bullet train. It also wants to rip down that barbed wire on the Han (not a quality tourism experience). So far the government, still security-conscious, is resisting.

One of the sad truths of the developing world is that an urban population boom has so often been bad news. From Jakarta to Rio de Janeiro, more people have typically meant more ghettoes, more crime, and less economic life. That's one reasons urbanites in big cities are moving to places like Florianópolis, an island city 700 kilometers south of São Paulo, where bigger doesn't always mean worse.

Between 1970 and 2004, Florianópolis's population tripled. So did the number of shantytowns. But the local economy grew fivefold, and incomes grew in step. Opportunity seekers, urban and rural, white collar and blue, poured in. With a hundred or so beaches lining the "magic island," tourism is thriving. And while many Brazilian cities are struggling to graduate from smokestacks to services, Florianópolis is succeeding. Thanks in part to a federal rule that for decades barred heavy industry on the island, town stewards promoted cleaner public works, and wound up with a network of public and private universities that make this one of the most scholarly cities in Brazil.

To tend to the demanding academic crowd, the city invested heavily in everything from roads to schools, and now Florianópolis ranks high on every development measure, from literacy (97 percent) to electrification (near 100 percent). By the late 1990s, private companies were flocking to the island, or emerging from a technology "incubator" at the federal university. (Among the innovations it hatched: the computerized voting machines that have made Brazilian elections fraud-free and efficient.) Local officials now say their aim is to be the Silicon Valley of Brazil, with beaches. Don't count them out.