

The Changing Geography of Global Corporate Power

Nicolas Véron

Originally published in French in *La Tribune*, 23 June 2008

The business world has for decades been used to seeing itself through the prism of financial centres, defined as marketplaces which centralise the listing of the large companies in their respective orbit.

But this framework is being made increasingly obsolete by financial integration, the internationalisation of large corporations, and competition between rival trading systems.

Major stock indices are becoming more cosmopolitan. France's CAC 40 includes Dexia, a bank more Belgian than French, and ArcelorMittal, the steel giant which no longer has much that is French about it. More exotic still, the FTSE 100 includes two Kazakh mining groups, ENRC and Kazakhmys.

Since a recent European directive redefined the organisation of markets, liquidity has been migrating briskly towards alternative marketplaces. Euronext Paris used to enjoy a near-monopoly on CAC 40 shares, but its share of trading volume dropped to 72% in January 2008 and to less than 54% by mid-April.

The notion of a 'Paris listing' (or indeed of a listing in any specific location) is becoming increasingly volatile and irrelevant, especially in the EU.

Under this transformation, finance becomes concentrated in a small number of global centres, among them New York, London, Hong Kong and Tokyo; and specialised markets capture niche activity, such as Boston, Luxembourg but also Paris for asset management; the Bay Area around San Francisco for venture capital; and Chicago and Frankfurt for derivatives.

The gradual fading of the concept of the national *place financière* also means that the geography of economic decision-making becomes less correlated with the location of financial activity. At the same time, the global corporate pecking order is changed by the rise of emerging economies.

The table below has been established on the basis of the FT Global 500 ranking of the world's 500 largest listed companies by market value as of 31 March 2008, calculating the total value of the companies whose main decision-making centre is located in a given metropolitan area. Some interesting facts arise from the list of the Top 50 cities.

The business world now presents a 'multipolar' balance between the US, Europe and the rest of the world. Also within each region, the landscape is changing.

In the US, New York remains the nation's – and the world's – capital city for business; number two is the Bay Area, a magnet for technological innovation and internet services, far ahead of traditional oil and manufacturing centres.

In Europe, Paris comes hard on the heels of London and even beats it in terms of the number of corporate headquarters – 31 versus 25. Third place goes to Madrid, well ahead of big German centres such as the Ruhr and Munich.

In Asia, Beijing is now way in front of Tokyo and Hong Kong, a sea change from as recently as a year or two ago.

Rank		Market Capitalisation	\$bn
1	New York	US	2570
2	London	UK	1689
3	Paris	FR	1654
4	Beijing	CN	1627
5	Bay Area	US	1312
6	Tokyo	JP	1141
7	Moscow	RU	708
8	Madrid	ES	588
9	Dallas / Fort Worth	US	579
10	Hong Kong	HK	559
11	Randstad	NL	555
12	Houston	US	469
13	Chicago	US	455
14	Rio de Janeiro	BR	397
15	Basel	CH	330
16	Ruhr Area	DE	329
17	St Paul-Minneapolis	US	327
18	Lausanne	CH	304
19	Melbourne	AU	301
20	Charlotte	US	298
21	Toronto	CA	297
22	Seattle	US	294
23	Munich	DE	291
24	Atlanta	US	285
25	Zurich	CH	261
26	San Antonio	US	257
27	Nagoya	JP	243
28	Rome	IT	241
29	Omaha	US	240
30	Calgary	CA	240
31	Osaka-Kyoto-Kobe	JP	232
32	Los Angeles	US	219
33	Cincinnati	US	216
34	Bentonville	US	211
35	Brussels	BE	210
36	Sao Paulo	BR	177
37	Stockholm	SE	176
38	Mumbai	IN	171
39	Riyadh	SA	159
40	Helsinki	FI	157
41	Sydney	AU	155
42	Delhi	IN	151
43	Boston	US	151
44	Seoul	KR	143
45	Shenzhen	CN	143
46	St Louis	US	135
47	Mexico City	MX	130
48	Washington DC	US	124
49	Luxembourg	LU	119
50	Turin	IT	119

By contrast, some cities which might have been expected to head the pack because of their financial or political pre-eminence are relegated to the bottom of the list, such as Boston or Washington DC, or even entirely absent, such as Berlin, Dubai, Frankfurt, Istanbul, Shanghai or Singapore. Other, less conspicuous cities actually come high up, such as St Paul-Minneapolis which is home to no less than eight companies in the global top 500.

This ranking should not be deemed the last word on economic power. The correlation between the concentration of corporate headquarters and local or national wealth is complex and varies over time. The role of headquarters differs from one company to another. And non-listed companies, some of them quite large, are obviously excluded from our calculation.

But the list does shed revealing light on a number of issues. Not least for France, the very comfortable position of Paris in the global ranking implies that the French need not maintain the siege mentality which so often marks their national debates about globalisation.

Nicolas Véron is a research fellow at Bruegel.