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The way we were: command-and-control centres in the global space-economy on the eve of the 2008 geo-economic transition

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Introduction

This is a short note to take stock of where we were before the financial crisis began to seriously undermine the global economy in late 2008. For once the phrase 'to turn the world upside down' could hardly be more merited: the most right-wing US President in living memory is accused by members of Congress in his own party of being a 'Bolshevik' pursuing 'financial socialism' while in the UK the 'New Labour' government is being praised for nationalising more of the British economy than the most socialist, post-1945 Labour government ever did. Instead of the diminution of the state, the era of neoliberal globalization appears to have culminated in a reassertion of state economic power: place-based public finance has come to the rescue of flow-based private finance.

At GaWC¹ we have been researching contemporary economic globalization through cities and their networks for the last decade. Building upon the pioneering work of Reed (1981) on international financial centres, Friedmann (1986) on the world city hierarchy, and Sassen (1991) on the global city, we have explored the role of leading cities in globalization through developing

new models (the interlocking network model (Taylor, 2001)) and collecting new customized data on the firms that are 'interlocking' the cities (Taylor et al, 2002) to provide a theoretically informed and empirically based view of the global space economy (Taylor, 2004; Taylor et al, 2006). Continuing a decade-long concern for mapping the global economy through the networking practices of firms in cities, we joined forces with the Global Urban Competitiveness Project at the Chinese Academy of Social Sciences (Beijing) in late 2007 to carry out a new large-scale data collection exercise for 2008. As well as garnering information on 200 office networks of firms across 526 cities, we also collected place-based information on the cities, notably the headquarter locations of the Forbes global 2000 list of firms². All this data collection was carried out in the first half of 2008. Thus we have datasets that capture the geography of the global space economy just before the financial crisis came to a head. Thus this paper is written to provide a glimpse of 'the way we were' just a few months ago.

We focus on the command-and-control functions of cities emphasized originally by Friedmann (1986), also included as part of Sassen's (1991) global city, and more recently analyzed by Godfrey and Zhou (1999) and Alderson and Beckfield (2004). We have carried out preliminary analyses of headquarter locations for both the leading 75 financial services firms (banks and insurance) and for the largest 2000 firms (from all sectors) as defined by the Forbes global 2000. The tables and maps that follow can be used as the backcloth for easy reference as the financial crisis unfolds and morphs into an economic depression or deep recession. So far the financial crisis has heralded surprise after surprise; following the losers and winners in this process over the coming months will likely continue this apparent serendipity.

The very recent geography of the 'masters of the universe'

Finance is at the heart of the geo-economic transition we are experiencing with its practitioners being demoted from seemingly all-powerful 'masters of the universe' to despised greed merchants who conned us into spending too

much. We focus upon the geography of the headquarters of financial services firms when still masters of the universe: it shows where the score of the crisis was orchestrated.

There are seventy-five financial service firms in our data. To measure a city's importance as a command-and-control centre we use the rankings of their banks and insurance firms in terms of corporate size as given by the Forbes composite index, a measure that combines rankings for sales, profits, assets and market value.³ A *financial command index* (FCI) is computed for each city as follows: each city with a top-five firm headquarters scores 10; cities with headquarters of firms ranked 6-10 score 8; 11-20 score 6; 21-30 score 5; 31-40 score 4; 41- 55 score 3; and 56-75 score 2. These scores are summed for each city and the index is then expressed as percentages of the city with the highest sum. The results of this exercise are shown in Figure 1. Clearly this command function is highly concentrated with only thirty-five cities featured and all but six in North America and Europe. New York stands out as the dominant city but Western Europe is the most dominant world region in financial command-and-control centres.

In Table 1 the top twenty cities are listed in terms of FCI. Here we see the degree of New York's dominance with only London having more than half of New York's FCI. The relative decline of Tokyo's banks since 1990 is shown by the city's 6th ranking. Even at this early stage in the transition we can note some losers and winners: Charlotte and Edinburgh are, perhaps, surprise top-ten entries but they are unlikely to retain this preeminence: Wachovia's demise will hit Charlotte and Edinburgh's HBOS and Royal Bank of Scotland are the UK's two biggest losers. Outside the top ten, the high global ranking of Brussels (11th) and Washington, DC (13th) – neither political world city is renowned for its banks internationally – will be adjusted downwards as Fortis in Belgium disappears and Freddie Mac and Fanny Mae get downsized after their nationalization. But this is certainly not the end of the story.

The very recent geography of all major control-and-command centres

At the time of writing, one major worry among political decision makers is whether the chaos in the financial sector will diffuse to the rest of the world economy. It is clearly wishful thinking to believe that such a process can be avoided given the depth of the financial crisis. We have computed a *business command index* (BCI) based upon the top 2000 firms in the world, once again using Forbes' composite index. BCI is computed for each city as follows: each city with a top-fifty firm headquarters scores 12; cities with headquarters of firms ranked 51-100 score 11; 101-200 score 10; 201-300 score 9; 301-400 score 8; 401-500 score 7; 502-600 score 6; 601-700 score 5; 701-800 score 4; 801-1200 score 3; 1201-1600 score 2; and 1601-2000 score 1. These scores are summed for each city and the index is then expressed as percentages of the city with the highest sum. The results of this exercise are shown in Figure 2. Obviously with many more firms analyzed the distribution is more widespread across the world. However, the North American and European world regions remain very important and this time they are joined by North East Asia (Japan in particular). But the overwhelming feature of this figure is the dominance of just four cities.

Table 2 shows these four cities with Tokyo now the leading command-and-control centre followed by New York, London and Paris; the latter has more than double the BCI of the next ranked city. Houston is in fifth place as the world's oil and gas control-and-command centre. The USA, Japan and China have multiple entries in this table; the remainder are leading cities of medium-sized national economies. What will happen to cities in Figure 1 and Table 2 is difficult to guess: there have been no major collapses outside the financial sector yet. The degree of change will depend on the depth of economic downturn but some sectors at the forefront of fashionable consumer economy are likely vulnerable.

Conclusion

It is a strange experience carrying out analyses on our latest data in order to produce 'instant history', as it were. But this is not at all disheartening. Careful analysis of the global spatial economy as it existed in early 2008 will provide specific results to compare with whatever the geo-economic transition leads to in the near future. Will the demise of neoliberal globalization bring in its wake a lessening of economic globalization overall? Or will a new economic globalization be created in which the discarding of neoliberalism leads to less geographical concentration of command and control? We cannot know now but we will know soon. Unintentionally, our latest GaWC research has placed us in an ideal position to do contemporaneous 'before and after analyses' of one of the great geo-economic transitions.

Notes

1. GaWC is the Globalization and World Cities Research Network, based at Loughborough University and which operates electronically through its website: www.lboro.ac.uk/gawc. It has become a leading academic think tank on cities in globalization through harnessing researchers from across the world: in the research reported here GaWC researchers from Loughborough and Ghent Universities have collaborated with the Global Urban Competitiveness Project at the Chinese Academy of Social Sciences (CASS) in Beijing.
2. Published annually at Forbes.com.
3. According to Forbes.com, the reason why this composite score is computed is that any one component alone may give a misleading impression of corporate size.

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Table 1 Financial command index: the top-20 cities in early 2008

Rank	City	FCI
1	NEW YORK	100.00
2	LONDON	60.71
3	ZURICH	37.50
4	PARIS	35.71
5	TORONTO	30.36
6	TOKYO	28.57
7	CHARLOTTE	26.79
8	EDINBURGH	25.00
9	AMSTERDAM	23.21
10	BEIJING	23.21
11	BRUSSELS	23.21
12	MUNICH	19.64
13	WASHINGTON	17.86
14	BASEL	14.29
15	FRANKFURT	10.71
16	MINNEAPOLIS	10.71
17	OMAHA	10.71
18	SAN FRANCISCO	10.71
19	ST PETERSBURG	10.71
20	MELBOURNE	8.93

Table 2 Business command index: the top-20 cities in early 2008

Rank	City	BCI
1	TOKYO	100.00
2	NEW YORK	70.94
3	LONDON	68.49
4	PARIS	53.96
5	HOUSTON	25.47
6	SEOUL	23.31
7	CHICAGO	21.44
8	OSAKA	20.00
9	BEIJING	19.42
10	MADRID	19.14
11	STOCKHOLM	18.71
12	LOS ANGELES	18.13
13	TORONTO	17.84
14	SAN JOSE (CA)	17.70
15	WASHINGTON	16.40
16	HONG KONG	16.26
17	SYDNEY	12.81
18	DALLAS	12.66
19	TAIPEI	11.65
20	MELBOURNE	11.37

Figure 1 Financial command-and-control centres 2008



Figure 2 Business command-and-control centres 2008

