

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

LONDON

GDP (country rank), 2012 ¹	Share National GDP, 2012 ²	GDP/Capita, 2012 ³	Population, 2012 (country rank) ⁴	Share National Pop., 2012 ⁵	GaWC Global City Ranking, 2010 ⁶	# Global 2000 HQs, 2012 ⁷	GDP/c Growth 1993-2012 ⁸
\$731,170,529,890 (1)	31.92%	\$51,978	14,066,991 (1)	22.22%	1	68	2.22%

1) Benchmarks — what is the city’s recent ranking performance in terms of global firms, connectivity, diversity, range of cultural assets, immigrants, visitors?

The capital of the United Kingdom and one of the four largest metropolitan areas in Europe, London has become an exemplary global city over the past two decades. Located in the Southeast of the country and with no national rivals in terms of size or wealth, London has regularly been the most-visited city in the world by international travelers since 2006. It exhibits enormous breadth in its popularity as a destination,⁹ not least due to the quality and range of the city’s cultural offering, rated first in the last two editions of the Global Cities Index. In terms of total Michelin restaurant stars, however, London ranks only seventh globally.¹⁰ It is consistently rated among the top three worldwide brands in the world, based on international populations’ awareness of the city, perception of its global contribution, and optimism regarding London’s economic and cultural opportunities.¹¹

Despite the impact of the global financial crisis, London remains securely within the top two of the global finance benchmarks of business environment support and range of commodity exchanges.¹² The city rates second for global firm presence, just behind New York, and it ranks third in information/communications technology development among large world cities, enabling near-seamless communication. But London’s quality of life is frequently rated unexceptional, owing to high costs, housing constraints, and uncomfortable commuting experiences.¹³

2) Narrative – the city’s journey into and through globalization. What kind of economic and development trajectory has it taken? What has changed over time?

London’s history of European economic leadership dates back to at least the 11th century. Between 1100 and 1500 London played a significant regional economic role, albeit one subordinate to the trading systems in the Low Countries and the Mediterranean. Opportunities for assimilation and improvement meant that as early as the mid-16th century London was rivaled only by Amsterdam for its liberty and tolerance. This fostered a culture of exploration and trade, and London became one of Europe’s chief centers for scientific activity even before it became an imperial capital.

In the 17th and early 18th centuries London grew from being a national capital and became a genuinely global city. It benefited from a national government that favored the process of commercial development, and a legal system that adjusted to innovations in Amsterdam and made business activity easier to execute.¹⁴

London’s economy grew and diversified in the 19th century, when the City of London began to dominate world trade and finance. Its financial sector also took on a decisively international character.¹⁵ By the end of the 1870s, foreign bank deposits accounted for a sixth of all deposits in the city. Financial dominance was reinforced by the agglomerative effects of insurance firms wishing to be located nearby. London became “the clearing-house of the world.” The city’s role as an engine-room of world trade fueled its willingness to accept and even embrace hard-working and productive migrants. Imperial ties generated a profound resonance for London among Commonwealth populations in the post-colonial period.

After the crisis and destruction of two world wars, and later deindustrialization, a global resurgence began in the mid-1980s. The “Big Bang” in financial services heralded the arrival of major international banks and surrounding knowledge-sector firms. The City of London took the infrastructural and regulatory steps to offer outstanding market access and profitably capture new capital investment from BRIC (Brazil, Russia, India, and China) markets. Deregulation of London’s media industry reinforced the city first as a European and then transregional information capital, complemented by the city’s openness to a new wave of European Union workers and international higher education faculty and students. Momentum for improved governance eventually resulted in a new metropolitan mayoral system in 2000.

The economic crisis since 2008 has challenged London to build on its established and well-trodden global business networks and develop new links with emerging markets. The city’s response – establishing plans to become Europe’s Islamic finance center and an international trading hub for the renminbi – is typical of its tradition of looking out rather than in. The 2012 Olympic Games were seized as the perfect global platform to market the city as resilient in the face of new shared challenges – climate change, education, and social inclusion. Although the city proved remarkably successful between 1995 and 2010 in persuading the central government to invest in the necessary upgrades to meet competitive needs, a new phase of investment is urgently required to ensure that new global roles can be fulfilled.

3) Elements of international and global orientation - In what ways is the city globally connected and relevant? What sort of trade patterns does it exhibit?

London attracted more foreign investment projects than any other city between 2007 and 2011, exceeding even Shanghai. The city maintains a strong investment image in Brazil, Russia, the Middle East, and North America and enjoys an improving position in Asia, due to the city’s political stability, juridical security, and availability of talent.¹⁶ Hong Kong accounted for 17 percent of apartment buyers in London in 2011, Singapore 16 percent, and Malaysia 12 percent. Chinese and Middle Eastern sovereign wealth funds now play a critical role in London’s real estate investment patterns, and Russian and Indian private capital is growing as well.¹⁷

London’s world-class economic service base is highly internationalized. It accounts for over half of U.K. exports in financial intermediation and legal services and over 40 percent in accounting and other monetary intermediation. The city also has more international students than any of its global rivals, with the largest

intake from India (10,000), China (9,000), the United States (6,000), and Nigeria (4,000).¹⁸

4) To what extent is the city's international dimension inherited or intentional?

London has possessed an unusual combination of institutional and commercial dominance during the modern period. Its comparative size advantage over other British cities ensured that it has routinely attracted a high proportion of wealthy and ambitious national migrants. The city is unusual in being not only the intellectual and institutional center but also the manufacturing driver of the national economy.

Furthermore, London's position next to, and yet separate from, Europe has protected the city from the social and economic damage of most violent continental conflicts. The city's reputation for safety moved ahead of Amsterdam's as early as the 1500s. With the rise in literacy and citizen democracy in the 1600s, London became a haven for popular dissent and later religious heterodoxy. Proximity to Northwest Europe ensured accessibility to fuel and raw materials, and the fast receipt of (and adaptation to) new ideas.

London's tradition of tolerance to different ways of practicing religious and family life is the product of centuries of providing sanctuary to poor, persecuted, and war-torn populations, and later the result of relations built up during Britain's period as an imperial power. Economic, social, and recreational vibrancy has been highly attractive to skilled migrants since the early 1990s, when immigration regulations began to be relaxed.¹⁹ This migration has proven a decisive driver of London's growth over the recent period. London's business and civic bodies have become more self-conscious about the city's openness and have become effective lobbyists and advocates for a competitive tax, business, and visa climate.²⁰

London has a proud history of leaders and advocates who have made a difference to the city's organizational coherence and economic competitiveness. The City of London has been highly internationalized for several hundred years and effectively negotiated its own trade position and industry development. Whereas national political representatives and senior members of the trading community were key actors in the past, since the early 1990s London's business leadership groups have grasped the profound impact of globalization. They helped forge an assertive public-private stakeholder vision that ultimately produced not only the mayoral role but also an awareness of global competition. The distinctive leadership styles of Mayors Ken Livingstone and Boris Johnson have given London a commanding new voice, and also fast-tracked real improvements in city promotion, urban development, and place-making.²¹

¹ Brookings analysis of Moody's Analytics and Oxford Economics data.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ "The World According to GaWC; Classification of Cities 2010," September, 14, 2011.

⁷ The data were produced by G. Csomós and constitute Data Set 26 of the Globalization and World Cities (GaWC) Research Network (<http://www.lboro.ac.uk/gawc/>) publication of inter-city data.

⁸ Brookings analysis of Moody's Analytics and Oxford Economics data.

⁹ "Euromonitor International's Top 100 City Destinations Ranking," Euromonitor International, 2013.

¹⁰ "2012 Global Cities Index and Emerging Cities Outlook," AT Kearney, 2012; Kersten Kuhn, "Tokyo Remains the World's Most Michelin Starred City," *Caterer and Hotel Keeper*, November 18, 2008.

¹¹ "2011 Anholt/GfK Roper City Brands Index," available at www.gfk.com/group/press_information/press_releases/008391/index.en.html; "Paris Tops Ranking in Global City Image Study," Anholt/GfK Roper, 2009; "City Brands Index," GfK Roper Public Affairs & Media and Simon Anholt, 2009; "Hotspots: Benchmarking Global Cities Competitiveness," Economist Intelligence Unit, 2012.

¹² "Global Financial Centres Index: 12," Z/Yen and Long Finance, September 2012; "International Financial Centers Development Index," Xinhua and Dow Jones, September 2012.

¹³ "Quality of Living Ranking Highlights – Global," Mercer, December 2012.

¹⁴ Peter Earle, "The Economy of London, 1660-1730," in Patrick O'Brien, ed., *Urban Achievement in Early Modern Europe* (Cambridge:

Cambridge University Press, 2012), pp. 81–97.

¹⁵ Stephen Quinn, “Money, Finance, and Capital Markets,” in Roderick Floud and Paul Johnson, eds., *The Cambridge Economic History of Modern Britain* (Cambridge: Cambridge University Press, 2004), p. 147.

¹⁶ “Global Cities Investment Monitor 2012,” KPMG and Greater Paris Investment Agency, 2012.

¹⁷ “The Implications of Global Capital Flows Into the London Office Market,” City of London Corporation, 2012, p. 26.

¹⁸ “The Economic Impact of International Students to London’s Economy: A Quantitative Perspective,” PA Consulting Group, May 2011.

¹⁹ Bob Sherwood, “London Cooling,” *Financial Times*, February 12, 2009.

²⁰ “London Hit Four Times Harder Than Rest of UK by Government’s Plans to Tax High Earners,” Great London Authority Press Release, available at www.london.gov.uk/view_press_release.jsp?releaseid=21840.

²¹ “Connecting Chinese Businesses to London,” Greater London Authority Press Release, available at www.london.gov.uk/view_press_release.jsp?releaseid=21378.

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