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## Bloomberg Businessweek

### Global Economics

#### The World's Most Global Cities

By [Matt Mabe](#) on October 29, 2008

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A new study compiles a list of the world's most global cities, weighing financial as well as cultural and political influence

We're in an era not only of rapid globalization but also of urbanization. According to the U.N., 2008 marks the first year when more of the world's people live in cities than in rural areas. One result is that the influence of cities—in politics, business, and culture—has never been greater.

To understand how simultaneous globalization and urbanization are affecting everything from international politics to corporate behavior, management consulting firm A.T. Kearney teamed up with the Chicago Council on Global Affairs and Foreign Policy magazine on a major study of the world's cities. The results, released this month, use a variety of metrics to rank cities according to how "global" they are, and thus, how well they fare in an increasingly competitive battle to attract and retain people, capital, and ideas.

The winners? New York came out on top, not just due to its role as the world's leading business and financial center but also its vibrant cultural life and heavy concentration of international organizations, from the U.N. to embassies and think tanks. The second- and third-place cities, respectively, were London and Paris, thanks to attributes similar to New York's.

What differentiates the A.T. Kearney study from many others is its use of "softer" factors, such as quality of life. Similar studies in the past have tended to focus primarily on business activity as an indicator of where cities rank on the global stage. But such a narrow view is increasingly inadequate, argues Paul Laudicina, managing officer and chairman of A.T. Kearney. For that reason, the Global Cities Index ranks cities based on business activity, human capital, and information exchange but also tosses in two broad categories called cultural experience and political engagement.

## Megacities on the Rise

Laudicina notes that cities often provide the most reliable indication of regional success. "The city predates the nation-state by thousands of years," he says. Countries, on the other hand, have tended to be fairly unstable over time. Cities also are continuing to evolve as millions more people leave rural areas in search of work and freedom. According to the U.N., the number of "megacities" around the world, where the population exceeds 10 million, should rise from 19 now to 27 by 2025.

The top cities on the index—which also include Tokyo, Hong Kong, and Los Angeles—aren't surprising, given their financial markets and sophisticated business climates. But their positions as global leaders also are bolstered by the presence of top-quality universities, world-class museums, international cuisine, and culturally diverse populations. New York, for instance, has the world's largest foreign-born citizenry and Tokyo boasts the largest number of inhabitants with university degrees.

Laudicina says the index also helps to explain why businesses choose headquarters in places that can present considerable cost disadvantages. A good example is the San Francisco Bay Area, ranked 15th, where real estate prices and taxes are among the highest in the U.S. The region is made more appealing, Laudicina says, by high quality of life, the prevalence of multidisciplinary academic and scientific research, and other cultural dimensions.

The index reveals another trend, too. Cities in emerging economies, such as Beijing, Moscow, Shanghai, and Dubai, eventually may dislodge the old guard. China's industrial explosion and Russia's recent oil and gas boom have pulled in tourists, foreign investment, and internal migrants looking for the fruits of prosperity.

## Rapid Urbanization

It's not yet clear how the current crisis will affect next year's rankings, Laudicina says, but some shift is likely. Cities in wealthy countries most directly linked to global finance could see their numbers slip. In poorer countries, infrastructure will be the main problem. "If global conditions worsen, you will see growth in people migrating to cities for what they see as better economic opportunities," he says. Rapid urbanization, which is absorbed by sturdy municipal infrastructure in wealthy countries, can be devastating in poorer ones. Sewer systems, health facilities, housing, and schools all would likely suffer, Laudicina says.

Cities in the middle—places like Buenos Aires, Beijing, and São Paulo—may fare the best. Though they, too, are challenged by infrastructure problems, they're also less exposed to continuing problems in financial services and could see their rankings rise. Moscow, which might otherwise have fit this category, faces a particular problem, Laudicina says: Much of its current prosperity has derived from energy and natural resources, but now that prices for commodities have fallen, the Russian capital may take a hit.

What's most important about the Global Cities Index, Laudicina says, is that it provides perspective at a time when the value of globalization is being called into question. "We are at a very critical crossroads right now," he says, recalling a collective retreat in the 1930s from an earlier trend to globalization. "Will we continue to keep making decisions that keep our borders and our minds open?"

Please enjoy a slide show of the top dozen cities on the Global Cities Index.

Matt Mabe is a reporter in *BusinessWeek's* Paris bureau .

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