

Bigger, better, richer, faster

New York's mayor is worried - arch-rival London is pulling ahead. Ed Pilkington and Hugh Muir report from both sides of the Atlantic on the battle to be capital of the world

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Saturday February 10, 2007

The Guardian

Michael Bloomberg, the mayor of New York, is not your average politician. He flaunts the ostentatious humbleness that comes with great wealth. He refuses to trade in his Upper East Side apartment for the 18th century splendour of the official residence, Gracie Mansion, and rides to work by subway every morning despite having been valued at \$5bn (£2.5bn).

Even by his own unorthodox standards, though, what the mayor did earlier this week was surprising. Other leaders might have been tempted to bury the news delivered recently to Mr Bloomberg by the McKinsey consultancy: that New York was in danger of being toppled from its throne as the world's financial capital by a rival city. He did the opposite. He trumpeted the report in front of the New York press, then flew to the very city that was threatening Wall Street's supremacy and trumpeted the findings all over again.

That city was London. According to McKinsey, which based its conclusions on a survey of top financial executives from around the world, New York's longstanding pre-eminence can no longer be taken for granted. Within 10 years the city which has been the headquarters of modern capitalism for most of a century could sink to the rank of a "secondary city". Secondary. The word is enough to send New Yorkers shrieking down Fifth Avenue.

In his counter-intuitive championing of the McKinsey findings, Mr Bloomberg went even further. He implied that should Wall Street fall from the number one slot, the whole of New York, indeed the entire United States, could come tumbling after. "Let's be clear: The financial services industry is one reason that the 20th century was the American century and that New York became the world's capital," he said.

So just how vulnerable is the Big Apple to its traditional rival? Is London really poised to take over as capital of the world?

In financial circles, there are clear signs that London is tearing up on the sidelines. Almost half of the respondents in McKinsey's survey thought New York had shed some of its appeal as a financial centre in the past three years, and that the reverse applied to London. About 13,000 new jobs, or 4.3% of the total, were created in London in the three years to 2005, while Wall Street lost 2,000 in the same period.

Stringent regulation of financial markets, together with tight immigration laws post September 11 which inhibit importation of skilled labour, are dragging Wall Street down. The avant garde of banking, hedge funds, have started migrating to London. And how symbolic that the chief executive of Goldman Sachs, standard bearer of capitalism, has a duplicate office in the City of London where he now spends half his time.

Look down on the two cities from a great height though, and what is striking is how much they have in common. Their respective populations are London 7.7m, New York 8.1m. They are both enjoying boom times and are projected to put on a further 1m each by 2030.

They are, says Tony Travers, an expert on cities at the London School of Economics, competitive but complementary. "The most interesting thing about the two places is how like each other they are. They have more in common with each other than with anywhere else in their respective countries."

But the assumption of superiority - bigger, better, richer, faster - that has attached to New York at least since the second world war is being threatened on several levels. Let's start with the frivolous. Here's Audrey Saunders, owner of the celebrated Pegu Club in downtown Manhattan, telling the New York Times this week that: "I hate to admit it, but London is the best cocktail city in the world."

Cocktails!

More substantially, bastions of New York culture have come under fire from the city's own critics. The 2004 expansion and renovation of the Museum of Modern Art was heralded as a triumph at the time, but is now being damned as a failure. The New York Times has compared the new Moma very unfavourably with Tate Modern, a gallery which it says is "working beautifully", while the New Yorker says the museum's status as the prophet of the modern spirit is now in doubt.

You can dismiss all that as the carpings of the miserabilist liberal media. But the malaise goes further. A comparison of Broadway with the West End speaks volumes. Again, statistically the two theatre districts are at level-pegging. Both attracted a record 12m people to their shows in 2005, with box-office takings of about £400m each.

But the headline figures belie important differences. Broadway's 39 theatres are dominated by big, long-running shows which bring in guaranteed profits but clog up the system and block new work. The West End, by contrast, has many more productions on shorter runs, nourished by subsidised works emerging from the National Theatre. "What you get is a healthier theatre in London," says a leading player on Broadway, who asked not to be named. "It's frustrating but there's not much that can be done about it."

British playwright David Hare has spent a lot of time in Manhattan recently, transferring *Stuff Happens* to Broadway and opening his new play *The Vertical Hour* there. He reflects that New York is aesthetically a much more dazzling city. "You turn a corner and there is another extraordinary view, but it's also artistically much more conservative. There is a definite feeling - in music, in theatre, in opera, especially - of being bored with the old, and yet even more terrified of the new."

Hare adds that he finds London "much more genuinely cosmopolitan", which is revealing because London appears to have stolen from New York the mantle of the quintessential multicultural city. Forty per cent of London's population is foreign born, only slightly more than New York's 36%. But unlike Manhattan, even the prosperous areas of inner London are ethnically mixed and this has enabled London to claim the diversity high ground.

Early on in their Olympic presentation, New York told the IOC that there were "over 200 languages spoken in New York". The boast was dropped from the latter stages after the London bid informed the committee there are "over 300 languages spoken daily in London". The London Olympic bid team specifically attributes its victory to the city's extraordinary diversity. One analyst said: "We see New York as a great American city with lots of foreigners, and London as an international city. We promised the 'world games' with London as the backdrop."

The prospect of the 2012 Olympics, coupled with the confident - some would say cocky - demeanour of mayor Ken Livingstone, have given London's current buoyancy a focus. Mr Livingstone gave a keynote address at the recent World Economic Forum in Davos in which he was described by the television

network CNBC as the "mayor of Europe's megacity". His congestion charge, which so confounded his critics and has provided a template for gridlocked capitals the world over, is about to be extended into west London, despite public resistance. Though many Londoners were suspicious of his brashness when he became mayor in 2000, his popularity ratings rose to be, and remain, highly favourable.

Which brings us back to Bloomberg. His style could not be more different from his counterpart's across the Pond. Quietly spoken, polite, almost meek, there is none of the Livingstone grandstanding. And yet their trajectories have been the same. Mr Bloomberg was elected in 2001, just after September 11 at a time of deep crisis for the city, needing to win the trust of New Yorkers. He has done that, and grown very popular too. As Mitchell Moss, professor of urban policy at NY university, puts it: "Bloomberg is the only mayor in 60 years who doesn't have anyone who hates him."

True, there has been no congestion charge and New York remains traffic bound for it. Rush hour now lasts up to eight hours a day and is projected soon to stretch to 12 hours. But Mr Bloomberg can point to his own act of daring: the 2002 ban on smoking in restaurants and bars that has also set the world agenda and had an enormous impact locally, with smoking deaths down 10% saving 800 New Yorkers' lives a year.

So how do Manhattanites react to the suggestion that their city has lost its edge to London? With laughter, principally. Sir Harold Evans, once editor of the Sunday Times and author of *The American Century*, who has lived there since the 1980s, says the city's traditional ebullience is more evident than ever. "The energy in New York exceeds anywhere else in the world, even Dubai. You can't touch London for its cultural brilliance, but compare the two cities and the feeling is that if something big is going to happen, in a benevolent sense, it is going to happen here."

The loss of the Olympics has not dampened that spirit. Jay Kriegel, president of New York's bid team, points out that with the exception of the Olympic stadium that was to have been built on the West Side, all the other elements - from a subway extension in Manhattan to low-cost housing in Queens - are going ahead. In sporting terms, the success of Arsenal's Emirates stadium in north London is being topped by two new homes for New York's big baseball teams, the Yankees and Mets, both coming in on time and on budget in contrast to the fiasco of Wembley.

New York has had its building troubles. Ground Zero, the symbol of the city's darkest hour, has become its greatest embarrassment. Five years on it is still a gaping hole in downtown Manhattan. But Bloomberg, backed by the New York and New Jersey state governments, has now taken over the project and the Freedom Tower is rising. Mr Kriegel also emphasises that with crime down to levels not known for decades, notorious no-go areas are vanishing. "The city is entering a golden era. Neighbourhoods that have been stagnant for 50 years are being transformed."

Though New York remains the most expensive city in America, it has one overwhelming advantage over London in its lower cost of living. The Economist Intelligence Unit ranks London as the seventh priciest city in the world, New York as 27th. London may be catching up, but there's still clear blue water between the cities in several other regards. Take the three Fs: film, fashion and food. London is becoming ever more desirable as a movie location, with 12,655 shooting days in 2005, but that's still only a third of its rival's activity.

New York remains the undisputed power house of the fashion industry, with (Briton) Anna Wintour its queen. And though London's food has improved beyond all recognition in recent years, it has a way to go before it matches the range and quality packed into Manhattan. You could feel chefs on either side of the Atlantic wince when Gordon Ramsay's new restaurant on West 54th, provocatively named the London, was met with the ultimate putdown from New York Times critic Frank Bruni. It suffered from a "dearth of inspiration", he said.

So don't be fooled by Mr Bloomberg's disarming self-criticism. This mayor, and the town he represents, hasn't given up its crown yet. Nor will they. Not, at any rate, without a fight.

- London v New York

The extraordinary strength of London's **property market** continues to be driven by demand from the top, and luxury apartments are achieving the highest prices in the world with four new penthouses at the Lord Rogers-designed One Hyde Park reported to be on sale for £84m each. New York still has more **billionaires**, with 40, but London has moved into third place on Forbes magazine's billionaires league table, with 23 (Moscow, in second place, has 25).

Workers in the City of London last year took home £8.8bn, with 4,000 employees receiving **bonuses** of more than £1m. Last year foreign firms spent £97bn buying British companies, while 367 companies came to the London stock exchange, compared with 270 on the New York Stock Exchange and Nasdaq combined. Between 2002 and 2005, London's **financial workforce** grew by 4.3% to 318,000 while New York's declined by 0.7% to 328,400 jobs. And London's share of the top 50 **hedge funds** is growing, from three in 2002 to 12 in 2006, while New York's declined over the same period from 28 to 18.

London **salerooms** continue to break records with new buyers including Russians and Chinese. Sotheby's sold £167m worth of art in the past week. The weakness of the dollar has meant American collectors are choosing to sell in London while New York dealer Andrew Fabricant was named as the buyer of Francis Bacon's Study for Portrait II, sold for a record £14m at Christie's on Thursday night.

While the reopening of New York's **Museum of Modern Art** was initially regarded as a success, critics have since turned on it and pointed out that while **Tate Modern** attracts 3.9m visitors, Moma can only manage 2.7m. Both cities shuttled 12m people through the doors of their theatres, but artistically the initiative is with the Brits. David Hare and Tom Stoppard both have shows on **Broadway** while Chitty Chitty Bang Bang was one of several **West End** musicals to make the transfer.

Neither city scored well on a **quality-of-life** survey conducted among expatriate staff in which Zurich and Geneva scored highest. London managed 39th place, but New York was even lower at 46th.