

Summary

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“International Financial Services: Location Preferences and Economies”

Advanced and rapidly developing countries vie to bring International Financial Services (IFS) industries to some of their major cities or to keep them there. The ICT revolution has made those IFS that can be commoditized footloose in search of cost efficiency. High value-added financial services, however, continue to be produced in a few major IFS centers that have capitalized on regional or global advantages for themselves and their clients. The resulting pattern of functional fragmentation and geographic dispersal could facilitate analyzing the competitiveness of different lines of the financial services business in a particular location. Yet the conclusiveness of methods applied to do so in the past recently has been questioned. In addition, internationally active banks' growing emphasis on intermediating between financial institutions rather than clients from the nonfinancial sector, plus the leveraging of their balance sheets through carry trades and securitization, have posed new challenges for the evaluation of their comparative efficiency across activities and over time. Hence stock-taking appears called for. (JEL E44, F30, G20)