

DEVELOPMENT STAGES OF FINANCIAL CENTERS IN DIFFERENT REGIONS OF THE WORLD

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Annotation:

This paper examines the evolution of financial centers reflects a historical sequence of economic transformation from trade and industry to finance and global integration. Based on Kindleberger's model, this thesis outlines four main stages: the Commerce Stage, where finance serves trade and merchants; the Industry Stage, characterized by industrial banking and capital mobilization; the Transport Stage, marked by the centralization of banks through transport networks; and the Finance Stage, in which financial activities become autonomous and globally interconnected. Each stage demonstrates the expanding role of money from a medium of exchange to a store of value, unit of account, and standard of deferred payment. The study concludes that the rise of global financial centers such as London and New York embodies the culmination of economic specialization, efficiency, and information centralization in modern finance.

Keywords: Innovation, finance, international markets, fintech, cross-border banking, capital development, cooperation.

Introduction

The formation and evolution of financial centers follow a historical and economic pattern shaped by trade, industrialization, transport, and financial specialization. According to Charles P. Kindleberger (1974), financial centers emerge not randomly but as a result of geographical advantages, economies of scale, and political centralization. Each stage of development reflects a transformation in the dominant economic activity and in the role that money and banking play within it.

Main body

Financial centers generally progress through several stages as they grow in complexity and influence. In the earliest stage, finance primarily serves trade and merchants. Banking activities originate from merchant houses and goldsmiths who provided storage and payment services. Cities such as London, Paris, and Hamburg developed at the intersections of major trade routes and ports. At this phase, money mainly performs its **medium of exchange** function facilitating the flow of goods and payments among traders.

With industrialization, finance becomes an essential driver of production and infrastructure. Specialized industrial banks emerge to mobilize savings and fund factories, railways, and manufacturing enterprises. The French Crédit Mobilier and the German Rhine-region banks illustrate this transition. The financial center evolves from a mere trading hub into a national capital allocator, where money increasingly serves as a **store of value** and **standard of deferred payment** through loans and bonds.

The development of railways and telegraph networks redefines geography, concentrating banking activities in key transport nodes such as London, Paris, and Berlin. Regional and provincial banks become connected through a **hierarchical structure** local centers → regional → national → global allowing faster clearing and centralized liquidity management. Efficient payment systems amplify the **unit of account** function of money and promote interregional integration.

At the final stage, finance becomes an autonomous sector. The metropolis functions as the “heart” of the economy, concentrating capital markets, stock exchanges, and international clearinghouses. London in the 19th century and New York in the 20th exemplify this evolution. Here, money fully embodies all its functions **medium of exchange, store of value, unit of account, and standard of deferred payment** on both national and international levels.

Table-1 First financial centers according to Kindleberger

Centre	Period	Characteristics	Region
Amsterdam	17-18th centuries	Bank of Amsterdam (1609) — first major continental clearing bank	Western Europe
London	18-19th centuries	World clearing center	Western Europe
Paris	19th century (before 1870)	International banking hub; Crédit Mobilier, Rothschild network	Western Europe
New York	20th century (after 1950)	Global financial leadership	North America
Hong Kong	21st century	Bridge between East and West	Asia
Singapore	21st century	Leading Asia-Pacific financial centers	Asia-Pacific

North America: The US financial centers, primarily New York, evolved rapidly during the 20th century, benefitting from a large domestic market, regulatory innovation, and technological leadership. Chicago also emerged as a derivatives hub.

Europe: London and Frankfurt represent traditional and evolving financial centers, balancing legacy institutions with new financial technologies and the challenges of EU integration and Brexit.

Asia-Pacific: Hong Kong, Singapore, Tokyo, and Shanghai illustrate diverse growth paths influenced by colonial legacies, government policies, and opening of capital markets.

Middle East: Dubai and Abu Dhabi have developed from commodity-based economies into financial hubs by investing in infrastructure, regulation, and diversification strategies.

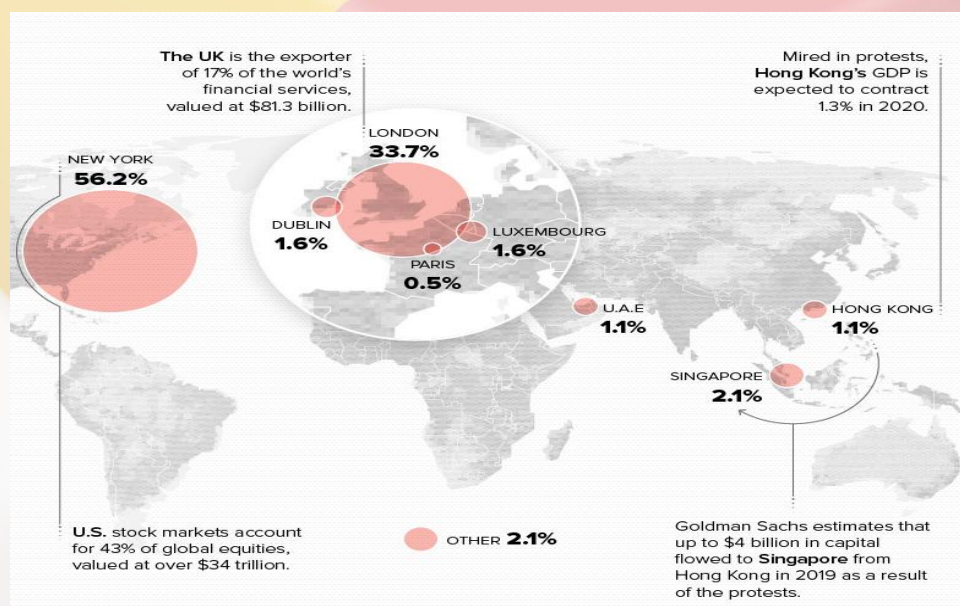
Features Defining Each Stage

1. **Commerce Stage** – Finance supports trade; banking arises from merchants and money changers.
2. **Industry Stage** – Banks fund industrial expansion, infrastructure, and long-term capital projects.
3. **Transport Stage** – Improved communication and transport centralize banking in major cities
4. **Finance Stage** – Financial markets become autonomous, global, and dominate economic activity.

Financial Hubs Today:

About five years ago, Visual Capitalist a data-driven media company that creates infographics and data visualizations to simplify complex topics in global trends, investing, technology, and the economy conducted a survey among investors and analysts to identify the world's top financial centers..

The graphic 1 below shows the percentage of respondents that voted for each city a worlds leading financial center for 2020:

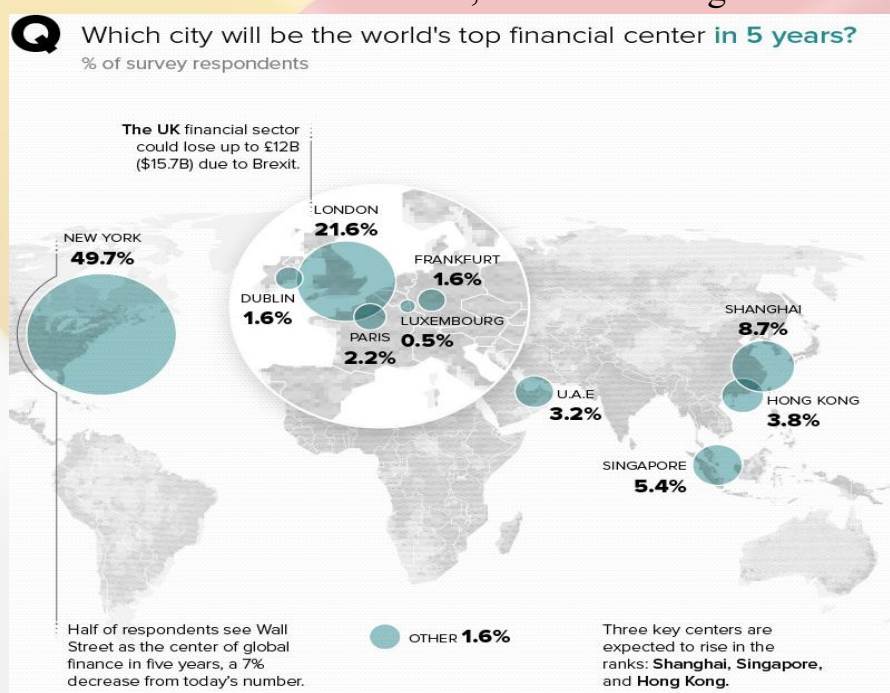


Graphic 1

New York and London are perceived to be at the helm of the financial world for 2025. New York is home of two largest stock exchanges in the world – NYSE and NASDAQ. Altogether USA stock markets account for an impressive 43% of global equities, valued over \$34 trillion. In addition New York is also home to many of the world's preeminent investment banks, hedge funds, private equity firms and global credit rating agencies. Across the pond, the London Stock Exchange has surpassed \$5 trillion in market capitalization, and the city has been a global financial hub since the LSE was founded more than 200 years ago. Together, the United States and the United Kingdom account for 40% of the world's financial exports. But while New York City and London have a foothold on international finance, other key financial centers have also established themselves.

Singapore, accounting for 2.1% of the respondents' vote, is considered the best place to conduct business in the world. Meanwhile, seventh-ranked Hong Kong is regarded highly for its separation of executive, judiciary, and legislative powers. Despite ongoing protests which have resulted in an estimated \$4 billion outflow of funds to Singapore it maintains its status as a vital financial hub globally.

The graphic 2 below shows the percentage of respondents that voted for each city a world leading financial center for next 5 years. On the map there is new financial center, which was not mentioned in graphic 1: Shanghai. Investors 5 years ago seen the potential of China not only as «World factory», but also as a key-player of providing financial services in future. Today in 2025, Shanghai ranks 8-th on the list of the world's top financial center, with following him on 9-th rank Shenzhen. It is clearly seemed that China developing not only its production industry, but also high-technology spheres, including infrastructure for TOP 10 financial centers in the world in Mainland China, and also leading financial center Hong Kong.



Conclusion

The evolution of global financial centers demonstrates the dynamic interaction between geography, innovation, and institutional development. From the merchant houses of Amsterdam and London to the digital finance ecosystems of Singapore and Shanghai, each era of financial history reflects the dominant mode of global economic organization. Kindleberger's model illustrates that finance has progressively shifted from supporting trade and industry to becoming an autonomous force driving globalization itself. In the contemporary landscape, financial centers are no longer defined solely by physical location but by technological infrastructure, regulatory efficiency, and integration into global capital networks. The dominance of New York and London remains strong, yet Asia's rapid ascent particularly that of Shanghai and Singapore signals an ongoing rebalancing of global finance toward the East. This transition reflects not only economic power shifts but also the growing importance of innovation, fintech, and cross-border connectivity. Over the next decade, the most competitive financial hubs will be those capable of combining stability with digital adaptability, transparency, and sustainable growth. Ultimately, the rise and transformation of financial centers underscore the continuing evolution of money and capital as the lifeblood of the global economy.

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