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from the October 29, 2003 edition

When a city loses its corporate moorings

As mergers multiply, cities lose their business base, affecting local culture and charities.

By [Seth Stern](#) | Staff writer of *The Christian Science Monitor*

Forget the Red Sox. Boston has suffered a bigger loss this week - at least financially - when Bank of America snapped up the hometown bank, FleetBoston Financial, for \$47 billion.

And just last month, the John Hancock Insurance company, another pillar of the city, was sold to a Canadian firm.

Together, the deals mark Boston's entrance into the ranks of American cities that have lost some of their most prominent corporate headquarters.

The loss of a bank headquarters nearly as old as the country is a sign that even top-tier cities aren't immune to consolidation in key industries such as financial services, utilities, and media. In this ever-changing landscape, there's been less corporate emphasis on community in favor of a more global reach.

Still, when a company's headquarters close, thousands of jobs aren't necessarily immediately lost. What America's urban centers can forfeit, though, are key sources of civic leaders and charitable donations.



MERGE: Bank of America bought up Boston's Fleet, making it the second-largest bank in the US.

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"This is one of the biggest problems facing cities today," says Otis White of Civic Strategies, a public-policy consulting firm in Atlanta. "What it means is that the source of leadership has to change."

It was once the local telephone company, department stores, newspapers, and banks that had the most to gain when the economy expanded. So their executives were most likely to invest in the local infrastructure and sign up for civic causes that made their hometown a better place to live.

In Atlanta, for example, 60 percent of those serving on public and nonprofit boards were likely to come from those industries, says Charles Heying, an urban studies professor at Portland State University in Oregon.

But the day is long past when Atlanta's mayor could walk into the office of Citizens and Southern bank and ask the owner to help lure the Braves baseball team and build a new stadium. Citizens and Southern was long ago bought up by Nations Bank, the Charlotte, N. C., bank that ate up Bank of America in 1998.

Bank of America's growth into a behemoth with \$541 billion in deposits has boosted Charlotte from a Southern backwater to the nation's second-biggest banking hub.

Yet hosting a corporate headquarters isn't necessarily as alluring as it once was, economists say. Leaner, decentralized corporations want fewer people manning the back office. They're demanding more tax breaks and other incentives to stay put. Today's "drive by" CEOs are too busy and don't serve long enough to get involved in civic boards.

Most global companies are less likely to see themselves attached to one community, as in the case of Boeing's decision to abandon its longtime home in Seattle.

"They don't have the same amount of time, energy, or desire to focus on local issues," says David Abbott, executive director of the George Gund Foundation in Cleveland.

Detaching itself from Seattle allowed Boeing to emphasize its status as an international corporation and build some distance from its employees should labor relations get ugly, Mr. Heying adds.

There was no shortage of cities willing to compete for the Boeing prize. And it wasn't just the prestige or Boeing's 500 jobs that prompted Chicago to offer millions in tax incentives and credits.

A headquarters also promises employment for hundreds more high-paid outside professionals ranging from lawyers and accountants to

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those in public-relations and advertising firms.

That helps explain why a headquarter loss can be more devastating than a factory closure. "It has a much greater impact on the community's economic infrastructure," says James Wheeler, a geography professor at the University of Georgia in Athens.

All the attention to the highest-profile takeovers, however, can exaggerate the extent of headquarter flight. Eighteen of the nation's 20 largest metropolitan areas actually increased the number of publicly traded companies based there between 1990 and 2000, according to a study by the Federal Reserve Bank of Chicago.

Even after losing such local landmarks as the Jordan Marsh department store and The Boston Globe newspaper (which went to The New York Times), Boston remains seventh per capita in the number of Fortune 500 companies headquartered here.

Fleet CEO Chad Gifford has promised employment and charitable giving will remain the same - at least for now.

"I definitely do not think the sky is falling," says Charles Euchner, executive director of Harvard's Rappaport Institute of Greater Boston.

The sale jarred Boston nonetheless, since few institutions have as long a history here as Fleet. Although it was first headquartered in nearby Providence, R.I., its presence in Boston has been strong for decades. It only grew stronger in 1999 when it merged with BankBoston, whose predecessor, the Massachusetts Bank, was the nation's first federally chartered bank in 1784. It financed the region's economic growth, from textiles to high tech.

Today, no other company has as visible a presence on Boston's streets: Its name is on the arena where the Celtics and Bruins play. Fleet sponsors a local concert series and a harborfront stage.

Those most worried are the organizations around the city - ranging from after-school programs to the Museum of Fine Arts - that depend on Fleet's millions of dollars in largess. "We're hopeful that partnership will continue," says Mary Kelley, executive director of the Massachusetts Cultural Council.

City leaders say they'll also miss Mr. Gifford, who earned a reputation

Top U.S. cities for big companies

Cities with headquarters of five or more Fortune 500 companies, as of April 2003 (prior to recent deals).

New York	40
Houston	18
Atlanta	12
Chicago	11
Charlotte	7
Dallas	7
Philadelphia	7
Pittsburgh	7
San Francisco	7
Birmingham	6
Cincinnati	6
Cleveland	6
Milwaukee	6
Minneapolis	6
Seattle	6
St. Louis	6
Boston	5
Omaha	5
Richmond	5
San Antonio	5
Stamford, Conn.	5
Troy, Mich.	5

SOURCE: FORTUNE

as a "go-to guy" for local causes and took a leading role on local education reform.

But even before the latest round of acquisitions, Boston's base of civic leaders has been expanding, says Mr. Euchner. The new crop of leaders comes from Boston's permanent institutions such as its universities and teaching hospitals as well as foundations and community-based nonprofits. He says, "We're experiencing another reinventing of the economy and our civic community."



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