APOLLO

The Real Global Contest Is Over Capital

In today's policy debates, most of the attention centers on goods, how we tax them, trade them, or protect them. Tariffs, reshoring, and supply chains dominate headlines. But the more consequential global contest may not be over goods at all, but rather over capital.

The United States has long sat at the center of global capital markets—playing a defining role over eight decades. The US hasn't just exported products; it exported a system: one rooted in trust, transparency, the rule of law, and the idea that innovation will be rewarded. That system has created deep structural advantages.

US-listed companies have consistently traded at 40%–70% valuation premiums over global peers[i]—not just because of earnings strength or sector mix, but because capital trusts this system—investors see the US as one of the most stable, scalable, and trustworthy places to deploy capital.

Benefits of this dominance extend far beyond financial assets, helping to drive productivity and innovation, job creation and growth of the real economy. It's allowed the US dollar to serve as the global reserve currency.

Now, as we enter an era of economic and geopolitical realignment, the US would be wise to treat its capital markets leadership as the strategic asset it is. The longer and more volatile the path to a trade policy reset, the greater the risk to this regime and its benefits.

Capital markets as engines for growth

Today, the American market enjoys an enviable position. US equity markets represent about 50% of global stock market capitalization[ii]. The bond markets — valued at more than $50 trillion[iii] — remain the most liquid and sophisticated in the world. It's home to seven of the world's 10 largest asset managers[iv] and almost 60% of global venture capital deployment as of 2024[v]. And it attracts more foreign direct investment than any other country in the world[vi].

The benefits of leading capital markets are difficult to understate. They go well beyond public markets – the US has long been the hub for venture capital, private equity and institutional capital formation, funding innovation across technology, healthcare, energy and more.

Vibrant capital markets enable a nation to finance its growth, fund new infrastructure, create more jobs, and even successfully impose sanctions and protect national security.

Europe is evolving, deliberately

Greater capital markets competition undoubtedly lies ahead. While regions like Asia and the Middle East are working to strengthen their capital markets, Europe—with its economic scale, institutional foundations, and regulatory momentum—may be best positioned to make meaningful strides.

After years of fragmentation — Brexit, regional divergences, and overlapping regulation— there's now a window for meaningful capital market modernization. With an ambitious plan to raise €800 billion[vii] for defense over four years through joint European Union borrowing, renewed alignment between France and Germany, growing appetite for reform, and the urgency brought on by global market volatility, the ambition is real. And the intent is clear.

There are several levers Europe could pull to accelerate its emergence as a stronger capital markets contender.

Europe has a significant opportunity to reform its banking system by transitioning $10 trillion in aging assets to private credit markets[viii], which would free up bank balance sheets and support new credit formation. Capital markets integration could enhance liquidity, improve valuations, and make European listings more attractive, helping to close the valuation gap with US companies. Reviving large-scale infrastructure projects through public-private investment programs could modernize physical assets and boost business confidence. And reforming capital frameworks could elevate the euro as a credible reserve currency competitor, potentially offering investors an attractive store of value and providing global central banks with a reliable pillar for long-term allocation.

These are not abstract ideas. There is clear momentum behind a growth-oriented reform in Europe and—if implemented effectively, these ideas can position Europe as a much more attractive destination for global capital flows. The window is certainly open.

So where does that leave the US?

The risk is not that the US falls behind overnight. It won't necessarily show up in next quarter's earnings. Rather, it is that capital gradually begins to price the US like any other market. If that happens, the US loses the premium and the multiplier effect.

That multiplier—the one that flows through into higher valuations, cheaper capital, stronger equity compensation, and faster innovation—is not just a Wall Street story, it's a Main Street issue. If US capital markets begin to trade with global markets rather than at a premium to them, the consequences will be measured not in basis points, but in trillions of dollars in lost enterprise value. It could mean substantial cuts in jobs tied to innovation and loss of long-term investment.

Today's dialogue should focus on long-term competitiveness. The widely held assumption that capital will always flow to America may no longer hold. If the US projects volatility or retreats into unpredictability, it risks ceding what has taken decades to build—and inviting others to fill the void.

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[i] Verdad, “Explaining International Valuations”, January 27, 2025.
[ii] Visualcapitalist.com, “The $124 Trillion Global Stock Market, Sorted by Region”, February 26, 2025
[iii] 2024 SIFMA Capital Markets Factbook
[iv] WTW,”World’s largest investment managers see assets hit $128 trillion in return to growth”, October 21, 2024.
[v] Dealroom, April 14, 2024
[vi] Global Business Alliance, 2024
[vii] Defense News. “EU pitches plan to free up €800 billion for defense spending”, Mar 4, 2025.
[viii] Hayfin, “Why Europe: Market Considerations for Private Credit”, May 23 2024.