THE GLOBAL CITY

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NEW YORK, LONDON, TOKYO

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Seven

Elements in a Global Hierarchy

NEW YORK CITY, London, and Tokyo have long been centers for business and finance. What has changed since the late 1970s is the structure of the business and financial sectors, the magnitude of these sectors, and their weight in the economies of these cities. In an earlier period, a limited number of large corporate headquarters and a few large commercial banks dominated a market characterized by high levels of regulation, low inflation, and moderate but predicable growth rates. High inflation in the 1970s, growing use by corporate borrowers of the Euromarkets, and the Third World debt crisis changed these conditions. Today, a large number of firms constitute the core of the business and financial sectors. These firms account for much of the office growth in the private sector and a large volume of economic transactions. The reorganization of the financial industry over the last few years has brought about fundamental changes, characterized by less regulation, more diversification, more competition, the loss of market share by the large commercial banks, and a massive increase in the volume of transactions. This chapter seeks to map the information about the financial markets presented in Chapters Four and Five onto major cities in order to situate New York, London, and Tokyo in a broader framework. The centrality of finance in the international transactions of these cities and the immense money value of the financial industry, which dwarfs that of all other industries, invite an examination of the interactions among these and other major cities.

With rare exceptions (Walters 1985; Chase-Dunn 1985), studies of city systems assume that the nation-state is the unit of analysis and that urban systems are coterminous with nation-states. But there are cases where one nation-state may encompass several urban systems and, conversely, cases where an urban system may encompass more than one nation-state. Nor does the case described by Hall (1966) in his landmark study, *The World Cities*, quite account for the transactions binding New York, London, and Tokyo today. In addition to the central place functions performed by these cities at the global level, as posited by Hall (1966) and Friedmann and Wolff (1982), these cities relate to one another in distinct systemic ways. The interactions among New York, London, and Tokyo, particularly in terms of finance and investment, suggest the possibility that they constitute a system. These cities do not simply compete with

each other for the same business. There is an economic system that rests on the three distinct types of locations these cities represent.

The international mobility of capital contributes specific forms of articulation among different geographic areas and transformations in the role played by these areas in the world economy. This brings to the fore the existence of several types of location for international transactions. The most familiar are export-processing zones and offshore banking centers; others may yet have to be specified or recognized. Our question here is the extent to which major cities are one such location, though clearly one at a very high level of complexity.

These cities contain a multiplicity of international markets, major concentrations of foreign firms and of producer services selling to the world market, and they are the key locations for the international property market. The sharp concentrations of such activities constitute internationalized spaces at the heart of these large, basically domestic urban areas. In the preceding chapter, we examined the characteristics of these concentrations in New York, London, and Tokyo and their relation to the national urban system in each country. The first question here is, How do these three cities relate to one another and to the global market? The typical view has been that New York, London, and Tokyo compete among themselves and sharpen that competition by providing joint twenty-four-hour coverage of the markets. What is emerging out of the analysis of the multiplicity of financial and services markets concentrated in these cities is the possibility of a systemic connection other than competition—an urban system with global underpinnings. A second question concerns the place of New York, London, and Tokyo vis-à-vis other major cities, notably the important financial centers in Western Europe, such as Paris and Frankfurt, and other major centers in Asia, such as Hong Kong. These are all financial centers with a strong global orientation. Does a ranking emerge? Is there a global urban hierarchy?

Leading Financial Centers

It has become increasingly evident that mere population size is not sufficient to explain the level of a city's economic power in the world economy. Some of the largest cities in the world have no headquarters of major firms or banks. New York, London, and Tokyo, on the other hand, have disproportionate concentrations of top-level headquarters in the financial, industrial, commercial, and producer services sectors, even though they are far from being the most populous cities. Many of the large industrial transnational corporations that account for 70% to 80% of world trade in market economies are headquartered in these cities. Feagin and Smith (1987) examined all cities in the world with over 1 million population in 1982 and found that over 75% had no headquarters of the top 500 multinationals at all. Of the seventeen largest metropolitan areas, nine had only one headquarters or none at all, and the other eight ranged from fourteen headquarters in Los Angeles to fifty-nine in New York (see Table 7.1). In 1982, New York, London, and Tokyo accounted for 120 headquarters of the top 500 transnational corporations in the world. By 1987 this number had risen to 154. Most of the other headquarters were in large European cities and in major industrial centers in Japan (Feagin and Smith 1987: 6–7).

But headquarters are a less adequate measure of economic power than they were in the 1960s and 1970s. Firms are locating their headquarters outside major cities even if they continue to be dependent on the specialized services and financial firms concentrated in major cities.[1] Many

TABLE 7.1
Number of Headquarters of the Top 500 Transnational Firms in the World's Seventeen Largest Metropolitan Areas, 1984

	Population ('000s)	*Number of Top 500 Headquarters*
Tokyo	26,200	34
New York	17,082	59
Mexico City	14,600	1
Osaka	15,900	15
São Paulo	12,700	0
Seoul	11,200	4
London	11,100	37
Calcutta	11,100	0
Buenos Aires	10,700	1
Los Angeles	10,519	14
Bombay	9,950	1
Paris	9,650	26
Peking	9,340	0
Rio de Janeiro	9,200	1
Cairo	8,500	0
Shanghai	8,500	0
Chicago	7,865	18

Source: Feagin and Smith 1987.

[1] In addition, very different types of firm organization by industry and country alter the meaning of size. The Fortune 500 list is not as appropriate for describing Japanese firms, especially the large trading houses, as it is for Western firms. The large Japanese manufacturing firms (Nippon Steel, Toyota, Hitachi, Kobe Steel, Nissan Matsushita) resemble Western firms, except for the prevalence of capital subcontractors (Sheard 1982). The large Japanese trading houses are huge, diversified firms, which together with General Motors,

of the headquarters now located in the center of New York, London, and Tokyo have international markets; national market firms which may carry considerable power and be major users of the specialized services and financial services in those cities, are increasingly located outside the center, either in the larger metropolitan areas of these cities or in other cities and towns. By 1989 New York City had only fifty-nine headquarters of the top 500 U.S. firms even though its weight as a financial center had grown immensely over the decade. Insofar as headquarters with international markets locate their firms in New York City this 10% of the top 500 represents considerable specialization. Tokyo, on the other hand, has been increasing its number of headquarters as the economy becomes increasingly international and Osaka and Nagoya are losing ground to Tokyo even in manufacturing headquarters. It is not clear whether this is an early phase of a process which eventually will lead to decentralization of headquarters as it did in New York City.

The massive expansion of the financial industry over the last few years can be illustrated by the figures on worldwide capitalization (see Table 7.2), which stood at U.S. $892 billion in 1974 and grew to $2.8 trillion (in constant dollars) as of September 1987, to $7.9 trillion as of September 1988, and to $10.1 trillion as of December 1989. The level of concentration of these transactions can be seen in the fact that about 80% of world capitalization from 1986 through 1989 was accounted for by New York, London, and Tokyo. The impact of the growth of the financial markets in these cities can be gathered from the appreciation of the equity market in their countries. According to data from Morgan Stanley (1988a, 1988b, 1990), during 1985 alone, the equity market appreciated by 27.2% in the United States, by 13.4% in Japan, and by 17.6% in the United Kingdom.

The market value of equities of domestic firms also confirms the leading position of New York, London, and Tokyo (see Table 7.2). In September 1987, before the stock market crisis, this value stood at U.S. $2.87 trillion in the United States, representing the equivalent of 64% of GNP, and it stood at U.S. $2.9 trillion in Japan, representing the equivalent of 119% of GNP. Third ranked was the United Kingdom, with U.S. $728 billion, representing 118% of GNP. The extent to which these values represent a disproportionate concentration of worldwide capitalization is indicated by the fact that the next largest value is for West Germany, which has a strong, thriving economy, but where domestic equities represented 23% of GNP and U.S. $255 billion in value. By December 1989, these values stood, in order of size, at $4.1 trillion in Japan, $3.0 trillion in the United States, $823 billion in the United Kingdom, and $362 billion in West Germany. At the time, the Tokyo exchange accounted for 90% of

Ford Motors, Shell, and Exxon were in the top hundred industrial groupings in the world in the 1989 *Times 1,000* listing (*The Times 1,000* 1989).

TABLE 7.2
Capitalization in Leading Stock Markets, 1987 and 1989 (billions of U.S. dollars)

	Sept. 30, 1987	*Dec. 31, 1987*	*Sept. 30, 1988*	*Dec. 31, 1989*
United States	2,871	2,216	2,348	3,027
Japan	2,896	2,978	3,335	4,102
United Kingdom	728	664	676	823
West Germany	255	207	215	362
France	185	154	183	339
Italy	128	109	115	166
Canada	244	201	231	290
Switzerland	165	133	133	190
Australia	132	83	129	138
Hong Kong	84	50	66	77
Total World	8,114	7,139	7,919	10,141

Sources: Morgan Stanley Capital International Perspectives, Oct. 1987, Jan. 1988, Oct. 1988, and Jan. 1990.

Note: Capitalization figures refer to the market value of equities of domestic firms, excluding unit trusts. Market values are converted into U.S. dollars at current exchange rates.

equities trading in Japan; New York accounted for 73% of trading in the United States; and London accounted for all trading in the United Kingdom.

The sharpest transformation occurred in Tokyo's stock market. At the beginning of the decade, it was small compared to New York and basically followed New York. In the second half of the 1980s, Tokyo became the largest stock market in the world and responded less sharply to fluctuations elsewhere.[2] This shift in financial power rests in good part on the huge amount of national wealth concentrated in Japan. In 1985 Japan had national assets worth $19.4 trillion; by the end of 1989, these had grown to $43.75 trillion. Beginning in 1984, the Nikkei 225 index of the Tokyo market outdistanced the Dow-Jones average. In 1988 the difference sharpened rapidly, and the Tokyo market came to be seen as a leader. It was also a rather stable market, with a much smaller decline after the 1987 crisis and a quicker return to the prior growth rate. It succeeded in supplying a steady pool of low-cost capital to the Japanese economy.

The number of companies listing stock on the Tokyo exchange in 1987 was 1,499, compared with 1,516 for the New York exchange and 2,101

[2] From 1987 onward, Tokyo's stock market was increasingly considered as a model to follow, one where the emphasis on stability differed from the model represented by New York. The Tokyo market had far less of a decline in 1987 and again in 1989 (New York: 7% decline; Tokyo: 2%). It closed in 1989 with a 31% increase over the prior year and largely without the sharp fluctuations evident in New York City. However, by January 1990, the plunge in prices that took place in New York toward the end of 1989 hit the Tokyo market.

for the London one. The number of foreign stocks listed on each was 52 in Tokyo, 59 in New York, and—a significant difference—584 in London. The total market value of stocks was U.S. $1.8 trillion in Tokyo, U.S. $2.1 trillion in New York, and U.S. $471 billion in London. The trading value of stocks was U.S. $955 billion in Tokyo, U.S. $1.3 trillion in New York, and U.S. $133 billion in London. The total number of member firms, however, diverged greatly: 93 in Tokyo, 611 in New York, and 357 in London. None of the other major stock exchanges in the world comes even close to the order of magnitude represented by London, New York or Tokyo.[3]

Finally, as the earlier discussion of producer services indicated, New York and London are leading producers and exporters in accounting, advertising, management consulting, international legal services, engineering services, information products and services, and other business services. They are the most important international markets for these services, with New York the world's largest source of service exports. Tokyo is emerging as an important center for the international trade in services, going beyond its initial role, which was restricted to exporting the services required by its large international trading houses.

The leading firms in advanced producer services have developed vast multinational networks containing special geographic and institutional linkages that make it advantageous for clients to use a growing array of service offerings from the same supplier. Global integration of affiliates and markets requires making use of advanced information and telecommunications technology which can come to account for a significant share of costs—not just operational costs but also, and perhaps most important, research and development costs for new products or advances on existing products. The need for scale economies explains the recent increase in mergers and acquisitions, which has consolidated the position of a few very large firms in many of these industries. These have emerged as firms that can control a significant share of the national and world markets. This has been particularly evident in accounting and advertising.[4] The top

[3] While the other stock exchanges in Japan are, in principle, significant markets given the large, powerful industrial corporations in their regions, they are on another order from that of the Tokyo Stock Exchange, which accounted for about 84% of all volume and value in 1987. This figure represents an increase in Tokyo's share of trading volume, which, while always high, had stood at about 56% in the early 1950s, the period of rapid industrial growth, increased to about 65% in the early 1960s, further rose to about 74% in the early 1970s, and reached around 83–85% in the late 1970s. Most of the share gained by Tokyo came from Osaka, which had 28% in the early 1950s and then systematically lost share over the ensuing years. Over this period, there was an overall increase in the volume of trading for all exchanges, from 425 million shares in 1949 to 118,931 million in 1980, 238,354 million in 1986, and 315,441 million in 1987, clearly showing that much of the increase in the absolute volume of trading is relatively recent.

[4] By 1983, the nine largest accounting firms in the world controlled over one-third of the

eight accounting firms have an immense advantage that rests on reputation: An audit by one of these accounting firms raises the status of the audited firm, inspires confidence in potential investors, and reassures government regulators.[5] The multinational advertising firm can offer global advertising to a specific segment of potential customers worldwide (Noyelle and Dutka 1988). These are important advantages for firms functioning in a world market. U.S. and U.K. law firms in New York and London have strong linkages to financial institutions in those cities, and this gives them a competitive edge over other firms (Noyelle and Dutka 1988; Thrift 1987; Leyson, Daniels, and Thrift 1987).[6] They may wind up doing business for firms from a variety of foreign countries because they have a comparative advantage within those leading financial centers. There has been growing concentration in law firms.

The Japanese are more likely to gain a significant share of the world market in some producer services than in others (Rimmer 1988). Construction and engineering services are examples of the former; advertising and international law, of the latter. It is illustrative to see the development over time of Japan's international contracts. Rimmer (1987) found that as recently as 1978, the United States accounted for sixty of the top two hundred international construction contractors, and Japan, for ten. By 1985, each accounted for thirty-four of such firms. In Japan, as in South Korea, the large-scale construction programs in the oil-exporting Middle Eastern countries during the 1970s were of central importance in the internationalization of the construction industry. Together, Japan and South Korea account for fifty of the sixty-one firms listed for Asia as a whole. Also of interest here is the locational distribution of Japanese international contracting. In 1978, 87% of all contracts were in the Middle East and other Asian countries; no contracts were registered for the United States. By 1985, the total Asian share was down to 47%, and the North American share had reached 24%, most of it in the United States (Rimmer 1988). The trends in this particular industry follow the global pattern of direct foreign investment, with a growing concentration in the highly developed world, particularly the United States (see Chapter Three). In 1984, the United States emerged as the main area for locating Japanese factories, offices, and banks. The growth in Japanese construction contracting in the United States is directly linked with this development. The United States is today the leading market for Japanese international construction companies.

Globally, a ranking of the world's twelve largest banking centers based on cumulated assets and income of the world's top fifty commercial banks and top twenty-five securities firms in 1985 and 1986 shows once again the prominence of New York, Tokyo, and London (see Table 7.3). By 1985 Tokyo had become the leading banking center in the world in terms of cumulated assets. It is well known that Japanese banks have operated by asset growth criteria rather than profit growth criteria. The growth in assets can be seen, partly, in their growth from 1 trillion in 1985 to 1.8 trillion in 1986. But this immense increase is partly a function of the revaluation of the yen after the 1985 foreign exchange agreement. New York, ranked second, had an increase from U.S. $846 billion in 1985 to U.S. $904.8 billion in 1986. Paris was third, with $659 billion in assets in 1986. In France, especially since the nationalization of several major banks, there has been a very great concentration of banking assets among a few banks at the top, in contrast, for example, to the United States, where there is relatively less concentration than in most major industrialized countries. Osaka ranked fourth, with U.S. $366.7 billion in assets in 1985 and U.S. $557.6 billion in 1986. Osaka is the major industrial city in Japan and its second-largest stock exchange. But it is clearly a very far second behind Tokyo in terms of both cumulated assets and the size of its equity market. London, which in 1985 had been ranked above Osaka, by 1986 had fallen behind, though experiencing an absolute increase in the value of assets, from U.S. $376.3 billion in 1985 to U.S. $390.3 billion in 1986. (Osaka's increase was, as in the case of Tokyo, in part a function of the sudden increase in the value of the yen while London has a vast number of banks not included in this count.) Several European banking centers, such as Frankfurt, Amsterdam, and Munich followed. Perhaps surprising is the fact that Hong Kong ranked eleventh in 1985, with U.S. $68.8 billion, and twelfth in 1986, with U.S. $90.8 billion. This loss of place was attributable to the increase in the value of another Japanese banking center, Kobe, which went from fifteenth to eleventh place, again partly because of the changing value of the yen.

If these banking centers are ranked by income, there are some changes in the ranking. Tokyo remains first in 1986, with $6.4 billion accounting

world's accounting business (Bavishi and Wyman 1983). Most of these firms were Anglo-American partnerships. By the early 1980s, about thirty advertising firms dominated half of the world market. In the early 1980s, this group of transnational advertising firms was dominated by U.S. firms; this U.S. domination continued except for the British firm of Saatchi and Saatchi's becoming the single largest advertising firm in the world through a series of mergers and diversification.

[5] Several of the U.S. savings and loan associations now in bankruptcy were audited by major accounting firms, a factor that may have deterred more critical evaluation by third parties and government regulators.

[6] The geography of international law firms is quite different from that of advertising and accounting. International law firms are not closely connected to the geography of multinational corporations, but rather concentrated in major financial centers. Banks and financial firms are major users of international legal services. International legal services are also a highly regulated profession, which poses problems for international activity. Since major financial centers are international, they will tend to have a far greater need for and openness to such international legal firms.

TABLE 7.3

Top Twelve Banking Centers Ranked by Income and Assets of Top Fifty Commercial Banks and Top Twenty-Five Securities Firms, 1985 and 1986

Ranking by 1986 Income	1985 Income (millions of U.S. dollars)	1985 Number of Firms	1986 Income (millions of U.S. dollars)	1986 Number of Firms
Tokyo	2,922	20	6,424	22
New York	5,372	14	5,673	16
London	2,282	10	2,934	5
Paris	983	6	1,712	6
Osaka	617	4	1,261	4
Frankfurt	763	3	1,003	3
Zurich	337	1	826	2
Amsterdam	172	1	739	3
Basel	291	1	415	1
Hong Kong	348	1	392	1
Los Angeles	636	2	386	1
Montreal	605	2	354	1

Ranking by 1986 Assets	Assets (billions of U.S. dollars) 1985	1986
Tokyo	1,086.3	1,801.4
New York	846.0	904.8
Paris	543.7	659.3
Osaka	366.7	557.6
London	376.3	390.3
Frankfurt	228.8	306.8
Amsterdam	51.4	193.4
Munich	53.7	133.4
Nagoya	77.7	123.9
San Francisco	118.5	109.2
Kobe	61.2	107.1
Hong Kong	68.8	90.8

Ranking by 1986 Income-Asset Ratio	Income to Asset Ratio 1985	1986
London	0.606	0.752
New York	0.636	0.627
Los Angeles	0.621	0.617
Toronto	0.527	0.591
Zurich	0.502	0.524
Montreal	0.502	0.520
Basel	0.475	0.489
Hong Kong	0.506	0.432
Amsterdam	0.333	0.382
Tokyo	0.269	0.357
Frankfurt	0.330	0.327
Paris	0.170	0.260

Source: "Global Finance and Investment" (annual special report), *Wall Street Journal*, Sept. 29, 1986; *ibid.* Sept. 18, 1987.

Note: Cities are ranked by cumulated net income, cumulated assets, and average net income to asset ratio of the top fifty commercial banks and the top twenty-five securities firms in 1986.

for twenty-two of the world's top firms, up from twenty in 1985. This represents more than a doubling of the 1985 value, again partly a function of the value of the yen. New York, which until recently had been ranked first, with \$5.4 billion in 1985, fell to second place in 1986, with \$5.7 billion. It accounted for sixteen of the world's top firms in 1986 and for fourteen in 1985. London was ranked third, with \$2.3 billion in income in 1985 accounted for by ten firms and \$2.9 billion in 1986 accounted for by only five firms. Paris was fourth, with \$983 million in 1985, \$1.7 billion in 1986, and six of the top firms in both years. Osaka followed, again showing a doubling on its income, from \$617 million to \$1.3 billion and accounting for four of the top firms. Two interesting changes occurred with regard to Zurich, Amsterdam, and Los Angeles. Zurich increased its income from \$337 million to \$826 million, accounting for one of the top firms in 1985 and two in 1986. Amsterdam more than tripled its income and number of firms, with income going from \$172 million to \$739 million and the number of firms going from one to three; its rank rose from fourteenth in 1985 to eighth in 1986. Los Angeles, on the other hand, lost rank, going from seventh place in 1985 to eleventh place in 1986 and from a 1985 income of \$636 million to \$386 million in 1986. These changes in rank according to income for these three cities are in good part a function of the criterion for classification, which is an arbitrary cut at the top fifty commercial banks and top twenty-five securities firms. Minor shifts among these firms can produce significant changes in the rank according to income for the three cities. The huge growth of several Japanese banks by itself would push many large banks out of the top fifty. This type of classification is most helpful in understanding the location of these top fifty commercial banks and twenty-five securities houses, the latter far more concentrated.

Perhaps the most pronounced difference in the ranking emerges when top firms are classified in terms of the net income to asset ratio. London and New York are leading centers, while Tokyo falls to tenth. London's ratio was 0.75 in 1986 and 0.60 in 1985. New York's was slightly over 0.60 in both years, as was that of Los Angeles, which ranked third. On this criterion, Hong Kong, at 0.43, did better than did Tokyo, at 0.36, in 1986. This value for Tokyo represents an improvement over the 0.27 registered in 1985, reflecting the new emphasis on profit growth, rather than merely on asset growth, that is emerging in Japan. Paris ranked twelfth, with a 0.17 ratio in 1985, which rose to 0.26 in 1986, indicating the extent to which its high ranking in terms of income is a function of huge assets.

These rankings confirm the central position of New York, London, and Tokyo as banking centers. Moreover, by 1988, Tokyo, London, and New York accounted for forty-seven of the top hundred banks in the world and 60% of their capital (see Table 7.4); and they accounted for twenty-four of the world's top twenty-five securities firms and 97.7% of their capital (see Table 7.5). The ratios for net income to assets confirm the existence of highly developed financial markets in London and New York. Finally, the data point to the rapid rise of Tokyo and its potential for growth once securitization is as developed as it is in New York and the associated profit-expansion orientation gains ground over the asset-expansion orientation still prevalent in Japan and typical of more traditional types of financial activity. Commercial banks in Japan are now under pressure to raise their capital base in order to meet the new capital requirements agreed on by the Group of 12 under the umbrella of the Bank for International Settlements in 1987.

When we compare the figures for deposits from and loans to foreigners through deposit banks, it becomes evident that by far the most pronounced change has occurred in Japan on both counts and in the United States regarding liabilities (see Table 7.6). Japan's borrowing from foreigners increased from U.S. $100 billion in 1982 to U.S. $845 billion in 1989, and its lending to foreigners increased from U.S. $90.9 billion in 1982 to $830 billion in 1989. In the United States, such borrowing doubled over a five-year period, from U.S. $254.5 billion in 1982 to $572.95 billion in 1987, and rose to almost $700 billion in 1989, while lending increased from U.S. $401.5 billion in 1982 to U.S. $660 billion in 1989. The massive size of the United Kingdom as a banking center can be gathered from the U.S. $1 trillion in borrowing reached in 1989, up from U.S. $489.6 billion in 1982; lending to foreigners increased from U.S. $462.8 billion in 1982 to U.S. $894 billion in 1989. These three countries account for three-fifths of the total of such flows, the vast majority of which are processed in New York, London, and Tokyo.

One classification (Euromoney 1987) shows that in 1986 institutional investors controlled about 60% of the 130 largest investment funds worldwide. In 1986, these funds, all firms with over $13 billion in cumulated assets under management, accounted for U.S. $4.3 trillion in assets (included are pension funds, mutual funds, and funds managed by banks and insurance companies). New York had by far the largest concentration of institutional investment funds: In 1986, the United States accounted for 60% of the value held by the 130 largest funds, and half of this was concentrated in New York. Second ranked were Japanese institutional investors, with accumulated assets of U.S. $640 billion in 1986, accounting for 14.8% of the total for the top 130 institutions. Closely behind was Switzerland, with U.S. $540 billion and a share of 12.5%. The United Kingdom followed, but with a value that was half that of Switzerland, at U.S. $252.7 billion and a 5.8% share of the total.

Together with other cities in the region, the greater New York area accounted for almost 45% of the U.S. total. New York City alone accounted for $911 billion. The next largest concentration in the United States was in Boston, with $342 billion. It is worth noting that Chicago

TABLE 7.4
New York, London, and Tokyo: Share of World's 100 Largest Banks, 1988

		Assets		Capital		Net Income	
	Number of Banks	*Millions of U.S. Dollars*	*% of Total*	*Millions of U.S. Dollars*	*% of Total*	*Millions of U.S. Dollars*	*% of Total*
Tokyo	30	484,759	36.51	4,862,509	45.64	12,420	28.94
New York	12	113,744	8.57	933,037	8.76	8,942	20.83
London	5	55,531	4.18	605,019	5.68	5,655	13.18
Tokyo, New York, and London	47	654,034	49.26	6,400,565	60.08	27,017	62.95
World	100	1,327,891[a]		10,653,417[b]		42,919[c]	

Source: "World Business" *Wall Street Journal*, Sept. 22, 1989.
[a] Banks are ranked by assets as determined by Worldscope. Figures are based on each bank's 1987 fiscal year results.
[b] Capital figures were available for 98 out of the 100 banks. They were available for all Tokyo, New York, and London banks.
[c] Net income figures were available for 97 out of the 100 banks. They were available for all Tokyo, New York, and London banks.

TABLE 7.5
New York, London, and Tokyo: Share of World's Twenty-Five Largest Securities Firms, 1988

		Assets		Capital		Net Income	
	Number of Firms	*Millions of U.S. Dollars*	*% of Total*	*Millions of U.S. Dollars*	*% of Total*	*Millions of U.S. Dollars*	*% of Total*
Tokyo	8	153,587	29.65	40,825	42.91	4,637	72.55
New York	12	303,479	58.58	47,543	49.98	1,419[a]	22.20
London	4	57,321	11.07	4,622	4.86	176[a]	2.75
Tokyo, New York, and London	24	514,387	99.30	92,990	97.75	6,232	97.50
World	25	518,017		95,130		6,392[a]	

Source: Same as Table 7.4
Note: Firms are ranked by assets as determined by Worldscope. Figures are based on each bank's 1987 fiscal year results.
[a] Net income figures were available for 18 out of the 25 firms. They were not available for 6 New York firms and 1 London firm.

TABLE 7.6
United States, United Kingdom, and Japan: Foreign Liabilities and Assets of Deposit Banks, 1982-1989 (billions of U.S. dollars)

	1982	*1983*	*1984*	*1985*	*1986*	*1987*	*1988*	*1989*
United States								
Liabilities	254.55	305.78	338.12	381.26	477.22	572.95	641.11	699.35
Assets	401.53	433.13	443.37	446.78	506.70	549.56	603.84	659.64
United Kingdom								
Liabilities	489.64	519.63	538.22	625.74	758.94	927.54	961.84	1,000.14
Assets	462.82	485.21	489.71	590.07	715.56	875.71	883.65	893.81
Japan								
Liabilities	100.00	106.65	127.05	179.31	345.99	592.03	772.42	845.78
Assets	90.90	109.06	126.92	194.62	345.33	576.83	733.69	830.04

Sources: IMF, *International Financial Statistics* 41, no. 8 (Aug. 1988); *ibid.* 43, no. 2 (Feb. 1990).
Note: Foreign liabilities are defined as borrowing (deposits) from foreigners; foreign assets are defined as loans to foreigners.

and Los Angeles accounted for significantly smaller amounts than did Boston: $133.2 billion and $90.1 billion, respectively. Hartford ranked above Chicago, with $186.2 billion, largely explained by the pronounced concentration of insurance firms in this city. (See also Tables 7.7 through 7.9 for additional data on insurance firm assets and transnational pension fund investment.)

The rapid increase in direct foreign investment in services is strongly linked with the high level of concentration in many of these industries and a strong tendency during the 1970s toward increasing market share among the larger firms. This is particularly the case for firms servicing large corporations. In accounting, the top nine firms increased their market share for large corporate audits (Bavishi and Wyman 1983). The market share for small and nonaffiliated firms declined from 28% in 1971 to 14% in 1981 in the United Kingdom, from 58% to 1% in Canada, and from 64% to 29% in Australia. In the London area, four firms controlled almost two-thirds of the fees generated by the world's top nine accounting firms. Yet, at the same time, small, independent firms are also finding specialized markets and thriving in large cities such as New York and London. In international legal services, there has been a growth of very large firms in New York, through both internal expansion and mergers. A similar situation prevails in London. The link between international law firms and financial firms has contributed to a centralization of law firms in major financial centers. For example, among the top ten foreign law firms in Hong Kong, half are from the United Kingdom and the other

TABLE 7.7
Cities Ranked by Cumulated Assets of the Twenty Five Largest Insurance Firms, 1985

	Assets	*City Rank*
United States	544,548	
New York	198,175	1
Hartford	99,936	2
Newark	91,706	3
Philadelphia	44,736	6
Boston	26,594	8
Houston	20,688	10
Milwaukee	18,807	12
Springfield	15,597	14
Des Moines	14,927	15
Chicago	14,140	16
Japan	122,628	
Osaka	65,621	4
Tokyo	57,007	5
United Kingdom	58,339	
London	43,764	7
Edinburgh	14,572	13

Source: New York in the Global Economy: Studying the Facts and Issues (New York: Regional Plan Association, 1987).
Note: Cities ranked 9th and 11th are the only ones in the top 25 outside the U.S., U.K., and Japan.

half from the United States; in advertising, the world's five largest firms control 38% of the Western European market, and about 56% each of the Latin American and Pacific Area market (Noyelle and Dutka 1988: 103).

There are several distinct phases in the geography and composition of Tokyo's area of transnational control. Tokyo's main area of control in the 1970s and early 1980s was over goods and commercial transactions in South and East Asia (Rimmer and Black 1982), where it was and remains the central power. However, in the 1980s, its links became strongest with the United States, in terms of volume of transactions, joint ventures, and acquisitions and, secondarily, with Western Europe. By the end of the 1980s, Tokyo had begun to strengthen its financial ties and investments in Southeast Asia through its securities houses, and Japan proposed massive investments in Eastern Europe with Tokyo's banks the key players. The opening up of the European market in 1992 may create a third major power center there.

Linkages between Tokyo-based offices and major cities abroad indicate