Urban Development and Financial Centers in the Global Economy

Tōkyō, Frankfurt and New York

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Abstract: This paper attempts to explore relationships between urban development and financial systems in three cities – Tōkyō, Frankfurt and New York – in a global economy. Patterns of urban development – including economic structure, spatial and social configuration, lifestyle, income distribution, and culture – are drawn in relation to nationally organized financial systems in three different capitalist societies in the global economy: state-centered Japan, social market-centered Germany and stock market-centered America. Unlike the neo-liberal view of urban development that contends global market forces are making the world's major cities conform to the New York City model, this paper argues that the three above-mentioned cities retain their own distinct characters because they are shaped by financial systems situated within differently organized national systems and regional alliances.

1. Cities, Nation States and Globalization

In the era of globalization, how does living in Japanese cities differ from living in cities in other parts of the world? Contemporary globalization is generally interpreted as the widening, deepening and speeding up of worldwide interconnectedness in all aspects of contemporary social life (Held *et al.* 1999: 2). Does globalization, then, lead major cities of the world to converge on the urban development model? How much has the intensified level of development in trade, finance and technology on a global scale contributed to changes in cities? A vigorous debate has emerged around how to interpret the effects of globalization on cities. Perspectives on the issue can be divided into two major schools.

One school interprets globalization from the neo-liberal view of Anglo-American (or Anglo-Saxon) capitalism and tends to focus on global capital, taking the position of economic and technological determinism. The

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neo-liberal view,[2] which was popularized by the privatization and deregulation policies under the Thatcher and Reagan administrations in the 1980s, suggests that market competition should be allowed to direct the fate of human beings and that the economy should dictate its rules to society. The central point of the neo-liberal position is the notion of competition between nations, regions and even individuals. Neo-liberals regard the "invisible hand" of the market as the perfect tool for regulation. Margaret Thatcher once claimed, "it is our job to glory in inequality and see that talents and abilities are given vent and expression for the benefit of us all" (George 1999).

Neo-liberal policies of privatization and deregulation are not so much concerned with equal income distribution or public services to consumers but rely more on the forces of the private markets. Ideological justification for such policies is that higher incomes for the rich and higher profits will lead to more investment, better allocation of resources and therefore more jobs and welfare for everyone. According to the neo-liberal view, globalization is nothing but market competition and neo-liberal policies on a global scale.

The neo-liberal school's vision of how globalization will develop can be summarized into three major arguments: 1) a single global free market, 2) withering nation states, and 3) a global city model.[3] Kenichi Ohmae (1995: 5) defines contemporary globalization as a new era in which people everywhere are increasingly subject to the disciplines of the global marketplace and in which "traditional nation states have become unnatural, even impossible business units in a global economy." This school celebrates the emergence of a single global market and the principle of global competition as the harbinger of human progress (Held *et al.* 1999: 3; Greider 1997; Strange 1996). It also assumes that other economies of the world have adopted neo-liberal policies and are converging on the universal model of Anglo-American capitalism. In this borderless economy, a global city emerges to replace powerless nation states and occupies an increasingly

[2] The neo-liberal view started at the University of Chicago with Austrian-born economist Frederick von Hayek and his students, such as Milton Friedman. Hayek's book, *The Road to Serfdom* (published in 1944), popularized neo-liberalism worldwide.

[3] Although Marxists are critical of the neo-liberal analysis of globalization, they still share the same view of globalization. They see the global economy as consisting of only one model, i.e. the Anglo-Saxon economy (Gowan 1999) and call the current stage of globalization American-led globalization or "American imperialism" (Panitch 2000). They also emphasize the role of an "entrepreneurial city" that replaces the withering nation state in the global economy (Jessop 1998).

important business position for global capital, or so the neo-liberal school claims.

Saskia Sassen (1991: 338) argues that "the globalization of manufacturing activity and of key service industries has been a crucial factor in the growth of the new industrial complex dominated by finance and producer services" and "it is this combination of a new industrial complex that dominates economic growth and […] that is centered in major cities and contains the elements of a new type of city, the global city." Multinationals are attracted to global cities, since they use them as "basing points" and "organizing nodes" in the spatial organization of international production and markets (Friedmann 1986). As a result, "New York, London and Tōkyō are converging on a similar urban model due to the new functional role they play in the globalization process." (Sassen 1991: 4) Overall, global city proponents assume a convergence in economic base, spatial organization and social structure among the world's major cities (Knox and Taylor 1995). Neo-liberal policies are also key features of the global city. "In the world's major international finance and business centers firms around the world can do business with each other in deregulated markets and industries." (Sassen 1997: 183)

By contrast, a second interpretation presents the institutional and systemic view of globalization with an emphasis on nation states. This "nation states school" denies the concept of a single global market. It instead asserts that the global economy primarily consists of divergent national economies (Albert 1993; Berger and Dore 1996; Boyer 1996; Dore 2000).

Although the French Regulation School essentially conceives the world economy as one global capitalist system and thereby shares its ideological position with the global-neo-liberal school, it falls into the nation states school because it emphasizes institutional and systemic differences among capitalist societies (Boyer 1996; Hollingsworth and Boyer 1997; Streck 1997; Aglietta 1998 and Boyer 2000).

The "nation states school" argues that globalization is essentially a myth that conceals the reality of the world economy, which is increasingly evolving in the direction of three major regional blocs – the European Union, Asia-Pacific and North America – in which governments remain powerful in regulating international economic activity (Hirst and Thompson 1996; Berger and Dore 1996). Globalization is essentially, in the nation states school's view, regionalization. In contrast to the "neo-liberal school", which interprets an international economy as the result of market forces, the nation states school sees an international economy as the outcome of political bargaining among national governments. To this school, therefore, the forces of globalization themselves depend upon the regulatory power of national governments to ensure continuing economic liberalization. Governments are the primary architects of internationalization (Gilpin 1987; Weiss 1998).

Furthermore, the nation states school argues that internationalization generates more trade disputes between nations and regions. It sees these phenomena as system frictions among divergent national economies which, hitherto, were obscured by the political ideology of the cold war. Many nations have begun to thrust their national economic interests to the fore, competing against one another without political and ideological restrictions (Stallings and Streck 1996; Ostry 1996).

Finally, this school concludes that the contemporary world economy does not give birth to hegemonic power but preserves various types of capitalism. Anglo-American capitalism is limited to the United States, Britain, and a handful of other countries.[4] Japan and Germany are seen as non Anglo-American capitalist societies (Albert 1993; Streck 1997; Dore 2000). Also, many countries of East Asia and the EU do not share the neo-liberal view espoused by Anglo-Saxon capitalism.[5]

Using the institutional and systemic view of the nation states school, this paper attempts to analyze relationships between urban development and the financial system in Tōkyō, Frankfurt and New York. The paper argues that urban development in these three cities is structurally shaped by a financial system that is historically and institutionally embedded in a distinct national system and system of regional alliances. Tōkyō and Frankfurt do not share New York's urban development, which the neo-liberal school characterizes as universal.

2. Urban Development in Divergent Capitalist Systems

2.1. New York City and Stock-Market Capitalism

Anglo-American capitalism

Anglo-American capitalism places the stock market at the center of the economy. The principle of the stock market-centered economy can be summarized as follows: Corporations raise capital primarily by selling stocks and bonds to investors in the stock market. Investors who own stocks become shareholders and control corporate governance. Corporate performance is reflected in the value of stocks. Shareholders sell and buy their

[4] Including Canada and New Zealand.

[5] The French, for example, do not share the neo-liberal view of the withering state. They believe in big government (See Vedrin and Moisi 2001).

stocks according to the ups and downs of the stocks' market values. Corporate managers, who are hired as financial specialists, put shareholders' interests first and seek short-term gain. The pressure to accrue short-term returns for shareholders is so high that when profits decrease managers choose, mergers and acquisitions (M&A) instead of attempting to save their own firms and employees. The American stock market-centered financial system is designed to maximize profits for investors and shareholders.

A regulated economy

Many economists warn that capitalist market competition is so disruptive that government intervention is necessary to limit competition. Such a capitalist system works efficiently only with the establishment of "social justice" brought by state regulation (Polanyi 1944). A study of the history of capitalism contains ample examples of capitalist systems that failed because of the lack of "social justice". For example, American economic policies in the early 20th century caused a stock market crash which, in turn, led to the Great Depression. The resulting high degree of economic destruction and social misery plagued American society for over a decade. Adopting the Keynesian view of economics, that supports the idea of coordinating the economy's supply and demand through public investment, the government intervened and brought market and social stability back. A welfare state was established and regulations, such as the McFadden Act and the Glass Steagall Act, were made to protect social life and limit competition.[6] A historic social contract was also made between labor unions and capital to do away with class antagonism. The postwar US economy thus depended highly upon regulations and the notion of social justice espoused by the government and labor unions.

The relationship between the government and the financial sector, however, remained antagonistic. The American tradition of agrarian distrust of banks and paper money in the 1870s and 1890s long hindered any movement to bring about a close relationship between the government and banks. This lack of trust led to the formal and legalistic character of US bank regulation and a concomitant emphasis on transparency in relationships between government and private banks (Spindler 1984).

[6] The 1927 McFadden Act prevented banks from expanding their branch networks across state boundaries. The 1933 Glass-Steagall Act prohibited banks from engaging in most securities underwriting business.

The new economy

The decline of US global competitiveness pushed the regulated American economy of the postwar era in the direction of neo-liberalism, and therefore to more market competition by unleashed capitalists in the global economy of the 1980s (Boyer and Hollingsworth 1997; Aglietta 1998 and 1998; Boyer 1996; Boyer 2000). In the US, Wall Street financiers lobbied the government to liberalize and deregulate the financial market and regain their global competitiveness. Subsequent financial liberalization led to spectacular growth in the stock market. New speculative financial products, such as derivatives, futures and hedges, appeared in the American and global markets. The relationship between the government and the financial sector became much closer during the Clinton administration of the 1990s. Both worked together under the name of foreign policy to campaign for a freer global market and forced developing countries to open up their capital markets (Wade and Veneroso 1998; Gray 1998; Gowan 1999; Kristof and Sanger 1999; Sanger 2000; Wade 2001). It can even be argued that the American campaign to liberalize the global market has resulted in the spectacular financial crises in Mexico, Asia and Russia.

Domestically, investment banks now sell their customers risky derivatives, leading households and pension and mutual funds to the dangerously speculative financial market. The irrational exuberance of the stock market is making American society much more consumer-oriented than ever before as extra income from the expanding stock market encourages conspicuous consumption (Shiller 2000).

A so-called "new economy", formed by the IT and the Internet dot-com businesses, also boosted the value of the stock markets. New dot-com companies listed on Nasdaq sought for high and quick returns from the stock market by offering high Initial Public Offers (IPOs). When the stock market finally crashed in 2000, many dot-com companies disappeared as fast as their stock values dropped. The effect of the new economy is society's reliance on financial markets and relentless consumer culture (Cross 2000). It has led the wealthy and fortunate in the single-minded search for personal monetary reward. By contrast, the unfortunate and the poor have been disadvantaged and left unprotected. The government policy of not committing itself to income redistribution has worsened already existing inequalities (Galbraith 1998). In the US the Keynesian welfare state has been replaced by a Schumpetarian workfare state. Social programs have been privatized. Public policy no longer addresses social protection nor provides the selection of public services that were previously available. The new economy has thus watered down the notions of social justice and labor union collectivism that previously existed in American society.

A Stock market city

Typical American urban development reflects a stock market centered capitalism. New York City, in particular, represents this phenomenon to a magnified degree. The city's policy makers and urban planners, who believe in the neo-liberal ideology of market competition, have left the city's urban development to the land and office space market. Since stock market principles work only for profit maximization, the city's landowners, most of whom are Wall Street financiers, have come out as winners and the rest of the city has gained little except low-wage service jobs. As profit maximization is pursued in the finance industry sector, wage minimization takes place in the service industry sector. Stock market competition and a neo-liberal urban development policy assure the city of an ever-widening gap between two polarized economic sectors.

New York City once had a versatile economy. The transformation of the city's economic structure to a monolithic financial and producer services industry began in the 1970s.[7] Sassen (1991) argues that global market forces have made New York a global city where financial and producer services economy proliferate. By contrast, Robert Fitch (1993) argues that New York's transformation was not made by market forces or globalization alone, but politically, by the city's policy makers and the private sector developers who sought profit maximization from capital investment. The city administration and landowners preferred higher taxes and rents from office buildings to low taxes and profits from factories. According to Fitch (1993: 13), "the conversion of industrial land to offer luxury, residential or high grade commercial uses increases its value by as much as 1,000 percent."[8] Manufacturing as a policy choice was consciously abandoned. Consequently, manufacturing declined radically. It represents only 6 percent of the city's labor force today (Eaton 2001). Since the global city is regarded as a place where the financial and producer services economy has replaced manufacturing as the primary engine of capital accumulation, production work is increasingly marginalized and often done by im-

[7] New York won out as the financial center of the US, pulling ahead of Boston, Philadelphia, and Baltimore in the first quarter of the 19th century, and beating back later challenges from St. Louis (Kindleberger 2000: 285).

[8] The city works with the business community in city planning. In the 1970s and 1980s the members of the business community were "connected with such institutions as Bankers' Trust, Mutual Life Insurance, Equitable Life, Prudential Bache, Rose Associates and the Real Estate Board of New York. They provide construction loans, hold mortgages, syndicate equity in office building – and increasingly, albeit involuntarily, own large numbers of commercial buildings." (Fitch 1993: 13)

migrants, who are usually unskilled, paid low wages and put to work in sweatshops.

Financial and producer services

The city's economy depends upon financial and producer services, for example banking, securities, insurance, accounting, publishing, film production, management consulting and legal industries, all of which grew in the 1980s and the 1990s. Finance, insurance and real estate (FIRE) totaled 14.5 percent and the rest of the service sector contributed a further 32.6 percent (Fitch 1993: 274). The city's business services are closely tied to the financial services industry. The financial services' need for business services comes from the stock market principle of the American economy. The rise and fall of corporate stock values in Wall Street is immediately translated into mergers, acquisitions, and hostile takeovers. New entrepreneurs also begin with initial public offerings on the stock market. All these stock market related financial services require lawyers, accountants, insurance, public relations, and commercial real estate (Rosen and Murray 1997: 40–41).

The city's business structure, dependent upon finance, is extremely volatile and cyclical. As Wall Street profits fluctuate, so do New York City's incomes, and of course the securities industry's income and employment levels. In 1993, the FIRE sector accounted for 14.5 percent of city jobs, but 27 percent of city wages. Securities accounted for one-third of the city's new private-sector jobs in the 1980s. When the stock market crashed in 1987, job losses in the securities industry led the downturn, and a rise in Wall Street jobs led the recovery again in 1992 (O'Cleireacain 1997: 27). New York law firms are the world's biggest legal market, which has been booming in recent years, and they have close ties to the three largest investment banks – Morgan Stanley, Goldman Sachs and Merrill Lynch.

New York City's tax revenue also depends on Wall Street, a rich, specialized, and unpredictable revenue source. Wall Street accounts for less than 15 percent of city jobs, while generating about one-third of city tax revenues. Because a big share of Wall Street earnings is paid in annual bonuses, city tax collections are as volatile as Wall Street profits. More than 7 percent of private sector employees work in foreign-owned establishments, and foreign banks account for 60 percent of city bank tax revenues (O'Cleireacain 1997: 30). Because financial firms are so mobile, city policy makers have difficulty predicting future business growth and face severe competition from other locations vying to host the same businesses. Wall Street generated 20 percent of the city's income, while the new media and Internet companies accounted for 5 percent of the city's employment (Bagli

2000). Financial services accounted for 40 percent of office space in Manhattan. Law firms make up the next largest sector, comprising 10 percent of total office space.

Social and spatial polarization

The city's service-sector growth has increased the number of high and low end jobs. Professional and business services provide many high paid jobs while personal and hotel services pay some of the lowest wages. The average salary on Wall Street rose by almost 50 percent from 1992 to 1999. Average wages in 1999 were US$ 196,000, 4.2 times more than the city's average, US$ 47,000 (Eaton 2001). The top 1 percent of New York taxpayers now pay about 65 percent of the city's property taxes, more than half the business income taxes and about one-third of personal income taxes. Half the city's business income taxes come from the top 1000 payers, 40 percent of whom are in the FIRE sector (O'Cleireacain 1997: 31–32).

In New York, the number of workers in the middle income bracket has constantly decreased. In 1989, over 35 percent of the city's residents lived in middle-class families; by 1996 it was only 29 percent (McMahon *et al.* 1997: 5). Manhattan has the most inequitable income distribution of any county in the US. In 1990, Manhattan had the same level of income inequality as Guatemala. Average family income in the borough's top quintile (US$ 174,486) was 32 times greater than the bottom quintile (US$ 5,435); this was more than double the ratio for the US as a whole (McMahon *et al.* 1997). The overall rate of poverty in New York City among families with children climbed to 32.3 percent in 1998 from 29.3 percent at the end of 1980s, while the nation remained at a flat poverty rate of 15.8 percent. The number of poor working families in the city increased by 60 percent during the 1990s, which was much more than the nationwide increase of 24 percent (Bernstein 2000).

New York City is one of a handful of places in the nation that draws poor immigrants from around the globe. But immigration is not the only factor that accounts for the city's growing poverty rates. Other factors are, for example, structural changes in the city's economy, the increase in corporations using temporary contract workers and the rapid expansion of the low-wage service sector catering to the affluent – from busboys and takeout food delivery men to child-care workers (Bernstein 2000). The city has long been polarized between a cohesive core of professionals in the advanced corporate services and a disorganized periphery fragmented by race, ethnicity, gender, occupation and industry location (Mollenkopf and Castells 1991). The current growth of poverty rates simply adds to the already widening social and spatial polarization. This is the structural result of the city's urban development, which has been carried out by the private sector for profit maximization and the city's support of the financial and producer services economy.

Consumer culture

New York presents "global culture", or so global city proponents claim. Global culture is, apparently, then, the relentless consumer culture that is by and large supported by two extremely polarized groups, namely the highflying, high-paid, highly educated professionals in the financial and business sector and the marginal, low-skilled, low-waged, often foreign-born workers in the service sector. The highflying professionals consume the world's well-known brand names, while the marginal service workers consume the third-world's mass-produced goods.

Consumer culture is not new in the US. But the relentless consumer culture present today is the legacy of the stock market boom. Professionals have grown spectacularly rich in the past two decades as their stock values have gone sky-high. Their highflying jobs have created the demand for more personal services, and unskilled and immigrants have taken on these personal service jobs. The rest of American households have also, though more moderately, joined in this consumer culture as they earn extra income from the booming stock market. Less than 10 percent of American households owned stocks in the early 1960s. This figure grew to nearly 50 percent by 2000 (Uchitelle 2001). Overall, the securitization of American society as a whole has created a relentless consumer culture.

Consumer culture, led by high-paid professionals, can be clearly seen in the New York City lifestyle. The thriving media producers of the 1990s in Kurt Anderson's novel, "Turn of the Century," and the 1980s Wall Street bond sellers in Tom Wolf's "Bonfires of Vanities", exemplify the consumption- oriented, exuberant young professional men and women of the city. These professionals are obsessed with a glamorous way of life that is based on only stock market investment and no savings. They enjoy instant gratification as stock market speculation brings them overnight riches. More dramatically, their conspicuous consumption even affects the spatial organization of the city. They segregate themselves in their enclaves and walled cities, and create their own communities in which only similar patterns of spending bind them together (Reich 2000).

E.B. White (1999: 47), editor of *The New Yorker*, wrote about New York's charm at its peak in the 1950s: "The collision and the intermingling of these millions of foreign-born people representing so many races and creeds make New York a permanent exhibit of the phenomenon of one world." He goes on: "The city charmed young artists and adventurers who didn't care about money much." On the other hand, White (1999: 54) also described the city's seemingly unbearable living conditions, saying "all dwellers in cities must live with the stubborn fact of annihilation." Half a century later, New York still attracts ambitious individuals who hope to transform their lives. But the transformation they hope for seems to have more to do with becoming instantly rich.

2.2. Tōkyō and Japanese Developmental Capitalism

Developmental capitalism

When capitalism spread to Japan in the 19th century, the strong tradition of state bureaucracy played a crucial role in resisting Anglo-Saxon capitalism (Bendix 1964). Confronted with the problem of their late introduction to capitalism, state bureaucrats led industrialization by promoting an ideology of national development interests (Sakakibara 1993; Dore 2000; Albert 1993). The result was Japan's invention of a state-centered economy where the state coordinated the economy for national development and the financial system was designed to serve national development.

Industrial policy

The Japanese state emphasizes social capital investment for national economic development rather than social welfare services. It has been characterized as a Keynesian investment state (Hill and Fujita 2000) or a developmental state (Johnson 1995; Gao 1997), where the economy is guided through industrial policy.[9] The state determines industrial policy through highly coordinated and institutionalized networks across public and private sectors, and implements policy through the financial system, which has been reorganized and subordinated to state interests (Fujita 2000). Public savings are centralized through the postal offices and banks, which are also closely connected to the state. Centralized funds are allocated to targeted industries through policy implementation networks such as public financial corporations and city banks.

The state's policy focuses more on production than on consumption as the primary engine for national development. The state's goal is to in-

[9] Some argue that Japan no longer has an industrial policy. Yet state policy's focus on the creation of frontier technologies – in nanotechnology, life science, environmental technology and information technology – suggests industrial policy is still at work. More resources are allocated to implement the frontier technology policy (*Nikkei Net* 05.12.2000).

crease productivity and maximize employment and thereby raise the standard of living. Because of this goal, the state has historically favored technological innovation in manufacturing as the engine of economic growth and has supported capital intensive, high value added industries. The promotion of frontier technology is still the latest industrial policy to date (MITI 2000).

Bank-credit finance

In creating the financial system as a tool for industrial policy, the government has encouraged corporations to depend upon bank borrowing for their capital and thus reduced corporate need for the stock market. The state has also let the main banks of the *keiretsu* groups [groups of affiliated private business enterprises] play a supervising role in corporate accounts and a coordinating role in allocating finance to *keiretsu* member companies (Aoki and Patrick 1994). Interlocking cross-shareholdings in the *keiretsu* groups has weakened the role of shareholders, while enabling corporations to make long-term investments in innovation and workforce training. Indirect finance and interlocking cross-shareholding makes corporate governance independent of shareholder control. The banks, responsive to strong state interests, incentives, and supervision, serve as the most important financiers of corporate and industrial growth. Deregulation and financial liberalization have led some corporations to stock markets for capital funds, but most still rely on bank-credit indirect financing (Bank of Japan 2000). According to a survey by the Ministry of Finance's Policy Research Institute, 78 percent of the companies surveyed still depend on the main banks for funding (*Nikkei Net* 20.10.2000).[10] The cross-shareholding system has not disappeared, either (Dore 2000).

Employee-owned firms

The bank-credit financial system has made it possible to generate the concept of a corporate community along with the interlocking cross-shareholding system. The corporate community originates from a postwar social compact between labor and management that was made half a century ago. Corporate employees share responsibility for the business, as well as its fate, with management and contribute to corporate innovation through their learning and skills (often obtained through corporate training). Corporate presidents, who are usually engineers and have superior technological knowledge, come from within the rank-and-file employees. In

[10] The survey covered 2486 companies with a response rate of 50 percent (*Nikkei Net* 20.10.2000).

times of economic downturn, maintaining corporate employment is the first priority, while shareholder interests are the last issue to be considered. Corporations are viewed as institutions owned by employees, not tools to accrue profits for shareholders (Matsumoto 1991; Dore 2000; Abrahams 2000). The corporate community is the source of social cohesion and collectivism; it is not legally bound but based on the tradition of mutual obligation.

Current corporate restructuring and other adjustments may threaten the social cohesion of the corporate community. Many corporations have partly replaced the seniority-based salary system with new systems based on performance. For corporate accounting, they have also replaced the internal auditing system with a system of outside auditors. These changes can be interpreted as reforms that preserve the corporate community, but they are not indicative of a move towards profit maximization, as large corporations still retain their lifetime employment system (Dore 2000). The growing number of agreed Mergers & Acquisitions should also be interpreted as corporate efforts to preserve companies against foreign takeovers, rather than to maximize profits.[11]

Reform

Japanese policy makers, labor unions and corporate leaders all agree that Japan needs reform, but they disagree over what exactly should be reformed. Reformers cite various reasons for reform, ranging from Japan's obsolete catch-up economy system to Japan's egalitarianism, which keeps individuals from competition, creativity and entrepreneurship (Nakatani 1998), to the corrupt relationships among bureaucrats, politicians and the business sector (Sakakibara 1998). Business and labor organizations like the Japanese Trade Union Confederation (*Rengo*) and the Federation of Economic Organizations (*Keidanren*) and some ministries like the Ministry of Economy, Trade and Industry (METI) have suggested that Japan's corporate governance and capital market should change in the neo-liberal direction. Yet, the actual reforms that have followed are not in the neo-liberalist style. The capital market reform, which calls for the transition from bank credit to equity market has not been, for instance, guided by profit maximization but by national concern over the future of the pension

[11] The new four *keiretsu* groups include Mitsui-Sumitomo, Dai-ichi-Fuyo, Mitsubishi, and Sanwa. These banks were also restructured along new *keiretsu* lines: the Sumitomo-Sakura group, the Mizuho group (IBJ-DKB-Fuji), the Tōkyō-Mitsubishi group, and the UFJ group (Sanwa-Tōkai-Tōkyō Trust) (Hotta and Takahashi 2000).

funds system.[12] Additionally, none of the reform-oriented policy makers have advocated market competition to promote profit maximization for the supply-side economy and investor-shareholders at the cost of other stakeholders, namely labor, customers, and suppliers. Neo-liberal minded policy makers are severely constrained by the main stakeholders within the heavily institutionalized policy networks.

Reform has surely brought institutional and organizational changes in both the state and private sectors. Yet, there is no sign that Japan's basic philosophy of national and social cohesion has been abandoned. Two newly created cabinet offices, i.e. the Council on Economic and Fiscal Reform and the Council on Science and Technology, still represent voices of major stakeholders, namely labor, capital (manufacturing in particular), academia, and related ministries, and express much concern on national and social cohesion. The METI also makes policy by relying on consultation meetings with representatives from *Rengo, Keidanren*, the major news organizations, major universities and other stakeholders.

Reform has not weakened the Japanese government much (Gibney 1998). It is still the government (politicians and bureaucrats) rather than capital or interest groups that are leading Japan's reform today.[13]

A developmental city

Tōkyō can be called a developmental city. Despite the fact that it is the capital city of a state-centered economy and is where the highest concentration of banks, national and foreign, are located, Tōkyō is not radically different from other Japanese cities. A highly centralized state structure and a state-centered financial system make it possible for cities nationwide to have a similar pattern of urban development. The newly enacted decentralization law of 2000, under which the state relegated policy-making

[12] The Labor Law has also changed, allowing corporate use of contract labor. The contract labor law has changed the terms of contract labor by expanding its scope from professionals to service workers and by extending its length from one to three years. Although the impact of this law needs to be seen in the future, this labor law by no means indicates the demise of the lifetime employment system as the lifetime system is not legally determined but based on unwritten, traditional, mutual obligations (Dore 2000).

[13] Some argue that the Japanese state is no longer the developmental state. They claim that deregulation has weakened the Japanese state and that the state no longer makes industrial policy nor regulates the economy. Ulrike Schaede (2000), for example, argues that the Japanese economy is increasingly regulated by industry and trade associations but not the state. Schaede thinks Japan has become like Germany where industry associations play the important role in making regulations.

power to cities, has not made a radical departure from Tōkyō's past practice of urban development policy because the existing system was not top-down but based on extensive consultation with local governments. Furthermore, the state still has a firm grip on fiscal and tax centralization.

Technological innovation in manufacturing

Given the fact that 16 percent of Tōkyō's labor force is in manufacturing, 5 percent in finance and insurance, and the rest in services (TMG 2000a), it may sound strange to call Tōkyō a manufacturing city. Yet, Tōkyō is a manufacturing city in the sense that the city's economic and spatial transformation evolves around technological innovation in manufacturing. Tōkyō's urban policy also emphasizes manufacturing – printing and publications, electrical and general machinery, precision instruments – as the engine of economic growth. Unlike the neo-liberal view of the economy, which posits that the service economy is more advanced than manufacturing, Tōkyō's policy makers and business leaders believe manufacturing is the means to transform Japan into a higher stage of industrial society. They do not think of postindustrial society as a service economy, but a knowledge intensive society still based on manufacturing. They also think that Japan's manufacturing firm is a knowledge creation organization, as ordinary workers are engaged in continuous improvements (*kaizen)* (Nonaka and Takeuchi 1995). They put humans first and take a selective approach to new technology (Bensaou and Earl 1999). Overall, Tōkyō perceives manufacturing as the source of economic and social stability, as it offers a full range of jobs for various skill levels, such as semi-production workers, craftsmen, skilled production workers, clerical workers, managers, engineers, designers, and researchers.

Tōkyō houses more head offices than any other city in Japan. Japan's many manufacturing corporations are headquartered in Tōkyō because of their involvement in state policy making. The state coordinated in the development of crucial technologies that may potentially create more employment, and establishes R&D consortia with major manufacturing firms. The state routs research achievements through the same firms and public R&D centers. Apart from the state, individual manufacturing firms have created, over decades, intra-corporate technology innovation networks that are geographically spread over greater Tōkyō. These networks encompass headquarter offices in the central business district of Tōkyō, research & development activities centers in greater Tōkyō, mother plants that produce prototypes and do the testing for new products in greater Tōkyō, and small firms that supply prototypes of new parts and industrial foundation technologies in central Tōkyō. The new products and technologies that come out of these networks are tested in Tōkyō's huge consumer market. If successful, they are mass produced in plants outside greater Tōkyō and overseas. The production workers who are engaged in mother plants and independent small firms in Tōkyō's industrial districts are highly skilled craftsmen (Fujita and Hill 1998).

Technological innovation also comes from inter-corporate networks among manufacturing firms and from between manufacturing and other sectors. A state-based innovation policy framework makes it much easier for firms to form R&D consortia to develop new technologies in the private sector. State policy's focus on the creation of frontier technologies today gives the private sector more incentives and a firm direction in R&D investment that tends to limit risk and uncertainty.

Tōkyō's manufacturing sector has transformed itself over the past five decades. As manufacturing parent firms have been spinning off their divisions and shifted more responsibility to their suppliers, they have moved to new technology areas. Divisions and suppliers have become technologically sophisticated, high tech companies, sharing their technological innovations with their parent firms. The parent firms are now spinning off their R&D and engineering divisions as firms specialize in Internet dot-com, information technology services, digital cables, biotech, gene technology, EMS (electronic manufacturing services) and global consulting. Manufacturing firms like Hitachi are now moving to nanotechnology and making business alliances with the pharmaceutical industry.

Small businesses

Small businesses are Tōkyō's backbone. 90% percent of Tōkyō's enterprises are small, with fewer than 20 employees[14] (TMG 2000a). They tend to concentrate in particular areas, creating their own industrial districts, such as Tōkyō's Ōta and Shinagawa Wards, where there is a concentration of basic industrial technology specializing in metal and machine tools; central areas like Harajuku and Shibuya, known for fashion, or like Shinjuku, known for information technology (Fujita 1991). Today, small businesses are forming new industry clusters, such as Shibuya's Bit Valley, where one finds many Internet dot-com companies; Ginza and Akasaka for the videogame software industry; Akihabara and Ochanomizu for the multimedia industry, and the suburban cities of Musashino, Koganei and Kokubunji for animation and videogame software. These new industry

[14] "Small" includes small and medium-sized enterprises. Small-sized enterprises include wholesale, retail, and service industries with less than five employees and other industries with less than 20 employees. Medium-sized includes companies with less than 200 employees.

clusters have emerged out of existing industries such as toys, movies, entertainment, publishing, electronics, game console machines, and animation (TMG 2000b).

The new industry clusters have strong connections with traditional manufacturing based industrial districts, not only for technological support but also for innovations (TMG 2000b). Shibuya's Bit Valley is similar to New York's Silicon Alley. But small offices and home offices (SOHOs)[15] or entrepreneurs in Shibuya's Bit Valley are mostly spin-offs from large corporations like Mitsubishi Bank or manufacturing and trading companies like Toshiba and Mitsubishi. They are also closely linked to the hard technology sector, which in turn provides a fillip for the expansion of other businesses by accommodating the SOHOS' needs. Furthermore, they are not overwhelmingly linked to the newly established Japan Nasdaq. Tōkyō's industrial dynamics thus evolves around a manufacturing mesh woven by both small producers in industrial districts as well as large corporate innovation networks.

Tōkyō doesn't emphasize international financial and business services. These producer services are basically internalized in the *keiretsu* groups' main (or core) banks and trading companies. They are also provided institutionally and collectively by the state or by state agencies like the Japan External Trade Organization (JETRO). Furthermore, the Japanese tend to think that the business service industry is linked to manufacturing. This way of thinking lies in the state-centered economy, which has long subordinated the service industry, particularly financial services, to manufacturing.

Social and spatial integration

Tōkyō's neighborhoods are socially and spatially integrated. In order to achieve social integration, Tōkyō's urban policy focuses on even spatial development. Other factors that contribute to this are the underdeveloped real estate market, resulting from the state's policy to discourage spending on housing, and the corporate sector's compressed wage system. Japan's underdeveloped land and office space market prevents gentrification and the development of exclusive neighborhoods.[16] With the state policies of suppressing consumption and encouraging savings in order to channel scarce resources to productive investment, there has been no encouragement for the building of exclusive enclaves by similar income groups as in the US. Urban neighborhoods are not class-segregated (Fujita and Hill

[15] Small firms in internet-related businesses are called SOHOs in Tokyo, as they work in small offices in office buildings or vacant hotels, and in home offices.

[16] There are a few exclusive neighborhoods such as "Den'en Chōfu" in Ōta-ward.

1997).[17] This in turn makes it easier for Tōkyō to pursue a policy of even development in education and infrastructure. Tōkyō's neighborhoods combine retail shops, craft shops and residential housing, and are linked by an extensive public transit system.

The compressed wage system is linked to the concept of the corporate community. Wages and skills increase according to the length of one's service for a firm. The wages of corporate presidents are only seven to eight times higher than regular employees' average wages in Japan, compared with a US Chief Executive Officer's (CEO) wages, which amount to fifty to a hundred times of a US employee's average wages. Although the banking sector workforce enjoys the highest wages, the average wage is still not much higher than that in the rest of Tōkyō. Banking sector wages averaged 6.4 million yen, which was only 8.5 percent higher than Tōkyō's average wage of 5.9 million in 1999 (TMG 2000a).

The compressed wage system is also linked to a collective approach to innovation. The creation of new products and technologies is attributed to a team, a division, and a corporation as a whole. Individual rewards hardly exist. The team approach sharply contrasts the American reward system, where an individual researcher who invents a new product while working for a public research institute like the National Health Institute or a university, could go into business by herself or himself and would then be rewarded in the form of high IPOs in the stock market.

Policy-led urban development

A policy-led urban planning and development plan prevails in Tōkyō (TMG 2000c). Tōkyō's urban policy primarily follows MITI's technology and development strategy for the four major technology sectors: nanotechnology, life science, environment and information technology (MITI 2000). Tōkyō makes sure, through policy provisions, that Tōkyō's vast number of small businesses follow Tōkyō's (and Japan's) technological strategic plan.

The Tokyo Metropolitan Small Business Promotion Agency (*Tōkyō-to Chūshō Kigyō Shinkō Kōsha*) coordinates policy implementation in the areas of technology innovation, management consultation and financial assistance.

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[17] It is true that Japan's Gini index grew rapidly during the bubble economy. However, except for that period, the Gini index is relatively low in comparison to other industrialized countries. According to a Japanese government survey, the Gini index of incomes of households with more than two members was 0.271 in 1979, 0.280 in 1989, and 0.301 in 1999. It grew by 0.03 units between 1979 and 1999 (Ministry of Public Management, Home Affairs and Posts & Telecommunications 2000).

Tōkyō's public research institutes provide small businesses with technological innovation support; Tōkyō's Management Consultation Center (*Shōkō Shidōsho*) provides business consultation, and numerous public financial corporations, such as *Shōkō Kin'yū,* provide financial loans. So Tōkyō's small businesses do not need to equip themselves with many R&D resources to explore the frontiers of technology. Tōkyō is more inclined to use the Act Of Technology Transfer License Organization (TLO), legislated by the state, in order to transfer basic research results from universities and public research institutes to the private sector. TLO is a collective approach to innovation, allowing groups, or consortia, to develop basic research for new commercial products. Tōkyō promotes technology transfers from universities to groups of small firms in industrial districts and in the Tama area (TMG: 2000b).

Tōkyō's urban planners and policy makers are concerned about the even distribution of public investment. Tōkyō's urban and industrial policies take into consideration a comprehensive, long-term plan that takes into account an aging society, environmental protection and the future population decline. Within this comprehensive plan, planners pick particular areas and neighborhoods that need more jobs and plan the revitalization of old industrial areas and declining downtown shopping malls (TMG 2000d). They allocate funds for public investment – the provision of transport networks, the creation of business centers, and housing projects – according not only to the necessity of alleviating traffic and population congestion, but also because of public concerns about unemployment rates, population decline, and depressed industries. For example, Akihabara, which has traditionally been an electronic retail area, is a depressed area today with a higher unemployment rate than the rest of Tōkyō. Tōkyō plans to revitalize the Akihabara area by turning it to a trendy digital tech center so that not only IT firms but also retail shops and residents can gain from its revitalization (TMG 2000b).

Production culture

Tōkyō stands for production culture rather than for consumer culture. Production culture is embedded in Japan's social values, which emphasize "making things" through ideas and improvements. Production focused social values have translated into corporate and state policies which in turn reinforce production culture in Japan. Corporations use most of their profits for production (technological innovation investment) and curb spending on consumption (advertising, hiring consulting and law firms, and M&As). Spending on production guarantees corporations and employees continued product development. The state allocates more scarce resources to production, such as technological innovation, public investment, the creation of frontier technologies and public works, than to consumption (for example, housing). The nature of the Japanese state as a developmental state has also seriously discouraged consumption in the corporate sector and in private households. The state, for instance, places high interest rates on savings to encourage the public to save more, while making dividends from shares lower to discourage the public from investing in the speculative stock market. The economic downturn in the 1990s has led to policy changes, and the state pushed savings interest rates down to almost zero. Deregulation opened up more investment opportunities in the stock market for the public. Yet, the public has not shifted from savings to stock market investment as quickly as might be expected. Over 80 percent of Japanese households' financial assets are still kept in the form of savings and insurance deposits, as Table 1 shows. Households may shift to more equity market investment in the future, but Japan's social value on production and the corporate and state policy focus on production are unlikely to change.

	Japan	Germany	USA
Currency & deposits	54.0	35.2	10.6
Insurance & pension reserves	26.4	26.4	30.5
Shares & equities	8.1	16.8	37.3
Investment trusts	2.3	10.5	10.9
Bonds	5.3	10.1	9.5
Others	3.9	1.0	2.2
Total	100.0	100.0	100.0
Value of total (in trillion)	¥ 1,438.0	DM 7.0	$ 35.3

Table 1: **Percent Distribution of Financial Assets Held by Households, 1999: Japan, Germany and USA**

Sources: The Bank of Japan, International Comparison of the Flow of Funds Accounts, Research and Statistics Department, Tōkyō. December 28, 2000, p. 8.

2.3. Frankfurt and German Social Market Capitalism

Social market capitalism

The German market is not dominated by the Anglo-American stock market principle, either, nor is the neo-liberal ideology of profit maximization the core of the German economy. The German economy is politically instituted and socially regulated, and regarded as a creation of public policy deployed to serve public purposes. Therefore, it is often referred to as the "soziale Marktwirtschaft" (hereafter referred to as "social market") (Streck 1997: 242). Competitive markets coexist with an extensive social welfare state, and political intervention and social regulation often interfere with the distributive outcome of markets. The German state assists groups in civil society in organizing themselves, depending on them for governance functions that would otherwise have to be either performed by the state or left to the market. It is through state-enabled collective action and quasi-public, corporatist group self-government that the German political economy generates most of the regulations and collective goods that circumscribe, correct, and underpin the social market (Streck 1997). The German social market is based on a social cohesion that may have been drawn from informal, socially rooted obligations, but its legal rational bureaucratic traditions enabled it to be "constitutionalize[d]" in law (Dore 2000).

Bank-credit finance

The German financial system is credit-based and bank dominated (Zysman 1983; Spindler 1984; Streck 1997). Corporations raise capital through banks. The bank-dominated financial system works cooperatively with the Bundesbank, which is the German central bank. The largest private banks – Deutsche Bank, Dresdner Bank, and Commerzbank – play a crucial role in industrial growth and the government's industrial policy. The big banks' close relationship with corporations has been built on a long tradition of public-private lending and institutional relationships that can be traced back to the 19^{th} century. German tradition encourages private corporations and their lead banks to operate as a team (Spindler 1984: 27). Industry executives sit on the supervisory board of the big banks, while many of the big industrial companies own shares in these banks, and vice versa. Banks also work closely with government and tend to reach negotiated solutions to industrial and global economic adjustment problems. As a consequence, German banks, like Japanese banks, often serve as partners to the German government.

Employee-interest firms

The bank dominated financial system makes firms operate more for the benefit of their employees than for their shareholders' interests (Zysman 1983; Albert 1993; Streck 1997; Dore 2000). The employee-favoring stakeholder system rests not on convention but on law. Through the twin systems of codetermination, namely, the work councils in the firm, and legal support for bargained wage-contracts between industrial unions and employers' associations, the system balances the legal rights of employees against those of shareholders (Müller-Jentsch 1995). It does so in a way that acknowledges a starting point of class antagonism, and makes the zero-sum elements of the employment contract much more salient (Dore 2000). Firms are social institutions, but not the property of their shareholders. Their internal order is a matter of public interest and is subject to extensive social regulation by law and industrial agreement (Streck 1997).

Reform

The German social market system is under pressure to reform from the German business community and the EU.[18] Reform is expected to open the German economy to market competition and neo-liberalism – more individualistic profit seeking is expected to replace traditional collectivism (Drozdiak 2001). In the financial sector, reform implies establishing an equity market, but given the fact that the public sector and cooperative corporations dominate German banking,[19] it is doubtful whether the German financial system can move to an equity market altogether and, at the same time, let individuals seek their own interests at the expense of other stakeholders. In the industrial sector, reform implies a turn to shareholder value companies. Reformers (employers associations) and defenders (labor unions) of the employee-favoring firm are still fighting in terms of class struggle, which will make it formidably difficult to dismantle the legally bound co-determination and workers' councils. However, the government is attempting to strike a balance between business and labor interests, as seen recently in a program that imposes a new level of regulation on business and expands labor's role in management by strengthening workers' councils (Schmid 2001). Social and political costs that neo-liberal reform may bring seems to be more than German traditional collectivism can tolerate.

A social market city

The German type of social market capitalism has had a major impact on Frankfurt as Germany's financial center. The city's urban development is

[18] Streck argues that high unemployment following the unification with East Germany is the main pressure for reform (1997).

[19] German commercial banks have only less than 20 percent of the market. The rest of the market consists of state banks and semipublic corporations. There are more than 2,000 co-operative banks known as Volksbanks in urban areas, and Raiffeisen in the countryside, and hundreds of public sector savings banks (Sparkassen) and regional Landesbanken. The savings banks have more than 35 percent of the market and the cooperatives have another 25 percent share (Willman 2000).

led by state and public regulations, but is not ruled by stock market competition. The city has a rich history, starting with its status as a free city state in the Middle Ages through to becoming the capital city of the Grand Duchy of Frankfurt in the 19th century. Frankfurt is now Germany's most important financial center and also the EU's political and financial center. The city hosts Germany's central bank, the headquarters of the important commercial banks, the public Kredistanstalt für Wiederaufbau, the umbrella organization of the German savings banks, and Deutsche Börse AG, Germany's largest stock market.[20] Three-quarters of the nation's 253 foreign banks are also headquartered in the city. US investment banks, British fund managers, French finance houses and Japanese trading agencies all have offices in Frankfurt. The city also attracts professionals – investment bankers, lawyers, accountants, analysts and institutional investors – not only from Germany but from around the world. With regards to Frankfurt's regional labor force, 10 percent work in the financial service sector. The foreign workforce amounts to more than 30 percent of the city's workforce, which makes Frankfurt one of continental Europe's most cosmopolitan cities.

Manufacturing innovation

Yet, manufacturing is also of central importance to Frankfurt. The city is the heart of diversified and dynamic Rhein-Main region. With a population of 4.7 million, the region has developed a mixture of manufacturing and services industries. 20 percent of the city's workers who paid social insurance in 1998 were employed in manufacturing (City of Frankfurt 2000b). Frankfurt shares similar characteristics with other major cities like Hamburg and Munich. This is because the institutionalized codetermination and bank-dominated financial system prevails everywhere in the German economy. These institutions have focused on manufacturing growth as the engine for improving the economy. The growth of the producer services industry is also closely linked to the manufacturing industry (Lappel and Thiel 2000). The new economy – i.e., the development of IT technology and the Internet dot-com business – is certainly taking place, but it is unlikely that the new economy will replace the old manufacture-based economy as it did in the US (Drozdiak 2001).

[20] Deutsche Börse, to be renamed Euroboard, is at the forefront of plans to create a European wide stock trading system. Eurex, where most German government bond futures are traded, is now the world's largest derivatives exchange (Fairlamb 2000).

Collectivist civic orientation

Cooperatives dominate social life in Frankfurt, as in other German cities. Frankfurt, as do other German cities, has a highly decentralized system, which delegates a lot of responsibility to municipal authorities. The local welfare system is a case in point. Although the welfare system has been retrenched at the national level, control at the local level is still strong. It is publicly regulated and linked to a vast network of intermediate local organizations such as trade unions, and occupational or religious organizations. The origin of this local public regulation system stems from the Middle Ages. Assistance to the poor, for instance, has traditionally been organized through a division of labor between city governments and charitable and ecclesiastical associations (Oberi 2000).

Quasi-publicly regulated cooperatives and associations help themselves overcome the free-rider problems associated with collective goods production, and make Germany one of the most densely organized civic societies. These associations regulate instituted markets in a variety of ways. It is these associations that maintain high quality standards, the skill base via the provision of training, and high wages. Associative regulation constitutes the single most important source of egalitarianism in the German economy (Streck 1997).

Production culture

The focus on manufacturing as the engine of economic growth, socially instituted markets, and public regulation has engendered a production culture in the city. Despite Frankfurt being the financial center of Germany and the EU, wages in financial services are not as high as those in New York. The average wage in the financial services was DM 72,989 in 1997. It was a little higher than that in manufacturing. The average wage in manufacturing was DM 66,952, which was a little bit higher than the average wage of the total labor force of DM 59,808 (The City of Frankfurt 2000b).[21] Strong labor unions and public regulation contribute to an egalitarian wage system throughout the industries and occupations. According to the World Bank's data on the world's social inequality, Germany's Gini index was 30, much lower than America's 40.8, but a little higher than Japan's 24.9 (The World Bank 2000: 282–3).

[21] The average wage in the total labor force excludes wages in the agriculture sector. These labor costs were cited by the Hessisisches Statistisches Landesamt on September 22, 2000 on the city of Frankfurt's web site http://www.frankfurt-business.de/facts_figures/facts.html.

Although the corporate fixed income market is developing in Germany, including in the high yield bond sector, the fixed income market does not involve the same risks that can be expected in equity markets. About 17 percent of German households invested in shares and equities in 1999, while 34.1 percent of American households invested in shares and equities in 2000 (See Table 1). In comparison with more than 50 percent of American households that were involved in equity market in 2000, a vast majority of German households still do not participate in speculative investment. Germans do not place value on speculation as highly as do Americans. Job security and social stability are regarded as more important. German managers are closer to their American counterparts in their class-based business practice, but their emphasis on engineering and focus on technical knowledge makes them closer to Japanese counterparts. Collectivism and discipline are core cultural values in Germany.

Despite the outcry for capital market reform from a bank credit to an equity market system, German institutional investors accounted for only 17 percent of the total demand for shares in Frankfurt's Deutsche Börse in 2001, while institutional investors outside Germany amounted to about 77 percent. Among German institutional investors, German banks owned about 81 percent of the exchange and private German investors made up about only 6 percent of demand (*International Herald Tribune* 05.02.2001). Only 7.8 percent of the population was involved in the equity culture by 1999 (Achleitner 2000).

3. Conclusion

Tōkyō, Frankfurt and New York are financial centers that are, above all else, embedded in national financial systems and regional alliances. To the degree that financial centers are embedded in their own national economies, they share urban development common to other cities in each nation. Bank-credit financial systems in Japan and Germany invest in production for the purpose of national and social cohesion, while the stock market centered financial system in the US uses money more for speculation and quick profit, in the interests of profit maximization and consumption for personal gratification. The effects of these different financial systems are translated into different urban landscapes in Tōkyō, Frankfurt and New York. Urban development in Tōkyō and Frankfurt has the public goal in mind, and is more institutionalized and bureaucratized. Urban development in New York is more privatized and therefore more conducive to the accumulation of personal wealth.

Tōkyō and Frankfurt are not like "the global city" of New York, and these two cities have a greater tendency to embrace national culture than "global culture" that is found in New York City. The ideological construction of the global city by the neo-liberal school is only possible with the existence of the ideologically constructed single global market (and the resulting weakened nation states). With the dawn of the 21st Century, the single global market and weakened nation states that the neo-liberal school forecast, however, do not conform with national and global reality. They only exist, for example, in the policies of the Clinton administration, which attempted to open other nations' capital markets for American investment bankers (Wade 2001; Wade and Veneroso 1998; Gowan 1999; Kristof and Sanger 1999; Sanger 2000; Fujita 2000).

In sum, urban development in Tōkyō and Frankfurt is subject to the politics of national and regional interests as well as mutual obligation and public regulation, while New York's urban development is subject to the neo-liberal politics that prefers urban planning and land-use measured by stock market values, and therefore the maximization of profits and personal wealth. The state centered financial system in Japan and the social market centered financial system in Germany lead urban development in the direction of promoting collectivism and national cohesion, discouraging extreme wealth seeking by one party at the expense of other stakeholders. By contrast, the American stock market centered financial system has led to market oriented urban development. New York celebrates its extreme culture of individual wealth and consumption, even while the appalling income and wealth gap between the rich and the poor ever widens. It is hard not to compare New York with a 19th Century bourgeois city where raw greed for money, misery, and social injustice dominated urban life, much like the environments described in Balzac and Dickens's novels.

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