International Economics

The Role of Urban Financial Centers within the Economy of Global Cities

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Abstract: Nowadays, there is no doubt that state economy refers to city economy. In other words, the most part of a state's GDP is given by the urban environment, especially by capitals, which are often the economic engine of this environment. There are also cities having great economic importance abroad, beyond the state and even continental borders. These are the so-called global cities where the financial activities play an important role. There are a few cities (New York, London, Hong Kong etc.) centering financial activities which are influential for large geographic areas. This research highlights the importance of the financial sector within urban economy and, subsequently, how it consolidates the status of global city. These cities are the engine of the international financial system as they host the headquarters of the most important and famous international stock exchange markets, financial supervision institutions, law firms and consulting companies.

Keywords: urban economy; international financial centers; world cities

JEL Classification: G1; F6

1. Introduction

Nowadays humankind experiences certain economic interdependence which connects national economies and urban centers with each other. Global economy refers to city economy where the most dynamic and innovative urban centers gather ground and influence economic policies (Sassen, 1991). Cities are the engines which make their countries develop and they are also gates for their regions.

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Parag Khanna's (2010, p. 42) thoughts suggesting the same ideas may also be added here: "The twenty-first century will not be dominated by America or China, Brazil or India; the city will do this". Within a time when management is more and more difficult, Khana notices that it is cities, not states that become governance islands. Global cities – the most powerful and influent cities of the world – will represent the basis of the future world; a new world that will look like a network of different global cities. In other words, the globalization story is the same as the urbanization story.

Most researchers connect urban economy to commercial, industrial, financial and real-estate activities (Kindleberger, 1974, 1985; Gehrig, 1998). Previous economic segments are regarded as corresponding to the urban area creation by certain researchers (Smith, 2008; Lefebvre, 1991). Urban crowdedness appears as a result of the interactions between scale economies - that affect production - and market size. That is why only 100 cities provide 30% of the global economy and wholly concentrate the world innovation (Khanna, 2010).

More and more economists have been interested in studying urban economy and in the issue regarding the placement of the economic structure within the urban environment (Henderson, 1988; Krugman, 1991a; Becker & Murphy, 1992). Sometimes, for example in Krugman's (1991b) or Fujita and Thisse's (2000) cases, urban economy overlaps the process of urban crowdedness. The last two previously mentioned researchers, for example, argue that economic crowdedness appears when different economic units (restaurants, cinemas, stores etc.) try to sell similar products in a certain urban area, thus losing sight of the importance of the financial sector which is greater if the city is larger. Neglecting this aspect is striking, as Mainelli (2006) noticed that, according to the domain literature related to financial centers, concentration is important and leads to crowdedness.

An increase in the service sector and the growing need for highly-qualified people are fundamental characteristics of urban economies. The financial sector, which controls the most important cities of the world (Sassen, 2000, p.81), mostly requires highly-qualified people.

Starting from the premise that the financial sector is a growing domain which occupies more and more of the urban economy, this article tries to point out the place and the role financial centers have within city economy. The present analysis is also related to a second purpose, namely to highlight if there is any objective connection between the size and importance of financial centers and the status of global cities that some urban areas have; and, to what extent the importance of financial centers is as great as the importance of global cities. The question to be asked is: are there hierarchical similarities between financial centers and global cities?

The extraordinary global evolution of finance over the last thirty years has proved us that competition among the big world cities in order to control the main international cash-flow has grown (Poon, 2003). There is a lot of evidence that shows that the important financial centers are fighting for their primacy within the global hierarchy, acting like *capitals of the world* at the same time (Khanna, 2010). Among the most objective evidence we mention the overall focus of financial activities and productivity. A mere look at the latest hierarchies regarding the urban financial centers shows a real “fight” between London and New York. (Engelen & Glasmacher, 2013). These two cities, which – together with others – are considered capitals of the capital by Cassis (2006), concentrate the biggest volume of share investment, both by value and by the risk involved. From the historical point of view, the urban financial sector evolution places New York on the first position as the leader of global finances after the World War II. (Cetorelli & Peristiani 2013).

2. The Analysis of the Literature

2.1. The International Financial Centers

When thinking of financial centers, we recall the names of the large cities (Gehrig, 2000), where, according to Jarvis (2011) and Poon (2003), competition for money is bigger and bigger. Historically, in the eighteenth and nineteenth centuries a few large financial centers appeared in order to serve the regional and international markets regarding the volume of economic exchange. Their complexity has grown since that time. Frankfurt, Amsterdam, Florence, London, Milan, Paris, New York, Rome, Philadelphia, Torino, Venice, Shanghai and Zurich, appeared as leading financial and commercial centers (Fratianni, 2009).

There is no widely-accepted definition of *financial center*, but, generally speaking, a financial center must have the following characteristics (Ogloblina, 2012; Lennoo, 2007): to own stock markets, to host numerous international financial institutions, the headquarters of worldwide famous surveillance institutions, central banks, together with law firms and consultancy companies, all in the same location (Mainelli, 2006).

Financial centers have become a dynamic concept, with efficient strategies designed to obtain and keep the brand of financial center (Lennoo, 2007). Authors such as Engelen şi Glasmacher (2013) speak about the urban financial centers in terms of *financial modernities*, pointing out their importance for the city economy and innovation. Briefly, financial centers can be defined as locations where important financial institutions are gathered and where there is considerable mobilization and redistribution of financial resources (Ogloblina, 2012).

The Global Financial Centers Index (GFCI) sets three axes which determine the financial center profile: connectivity, diversity and specialization. According to GFCI, the first axis, *connectivity*, refers to how famous the financial center is worldwide and to what extent non-resident specialists consider that there is a tight connection between that financial center and other financial centers. *Diversity*, the second axis, refers to the number of activity sectors (financial mediation, insurance, fund administration etc.) within a financial center. The last axis, *specialization*, refers to the activities related to the sectors: investment management, insurances, professional services (redesigning the business model, access to funds, selling and buying assets etc.) (Yeandle & von Gunten, 2013).

A financial center is considered to be competitive due to a combination of indexes. These indexes were grouped by GFCI researchers as it follows: (1) the human resource, (2) the business environment, (3) market access, (4) infrastructure and (5) competitiveness (Yeandle & von Gunten, 2013, p. 32). We will briefly present each factor for better accuracy and understanding of the analysis method. For example, regarding *the human resources*, the urban financial center analysis takes into account the human development index (HDI), the purchasing power, life quality, number of graduates from the economic and juridical fields, the human security index etc.

For the *business environment*, the factors taken into account are: the ease of doing business index, the operational risk rating, the real interest rate, the economic increase rate of the city, profit tax, corruption perception, the city GDP or the taxation for employees. Market access means, in fact, the index of market access, stock market capitalization, value and amount of transacted stocks and bonds, amount of ongoing futures and options contracts, mutual fund assets and, last but not least, the external position of domestic and central banks. Regarding *infrastructure*, the urban financial centers have to provide quality services such as: office centers both in and outside the city, efficient means of transport (by road, air or rail) and well-functioning IT logistics. The index of financial center *competiveness* is made of: the contribution and safety of direct foreign investment, the ratio between the city GDP and the national GDP, the innovation index, the price level and the global power city index, its global attraction. Obviously, there are other aspects in addition to these but we cannot approach them due to space reasons.

Financial centers are part of a hierarchical organization of finance, communications and management. In 2000, the International Monetary Fund divided financial centers into *international financial centers* (IFC), *regional financial centers* (RFC) and *offshore financial centers* (OFC) (Lennoo, 2007). IFC provide a wide range of financial services and are characterized by liquid markets (London, New York, Tokyo). Within these financial centers, international banks as well as important financial supervision institutions place their headquarters. RFC rely on well-developed financial markets and infrastructure associated with internal economies and regional banks which make regional fund transfer possible. OFCs are much smaller and provide a limited range of services. These centers refer to those countries with a financial sector which is larger than the economy itself and the taxation system is more relaxed. Different OFC - financial services are designed for non-residents mainly.

Lately, the major events all over the world have influenced the status of IFC. Cetorelli şi Peristiani (2013) state that, due to the Soviet Union disintegration, China's turn to authentic market economy and the creation of the European single market, the markets have integrated very quickly, especially after 1990. These international changes motivated the traditional financial centers (New York, London), and a few new locations (Hong Kong, Singapore) were generated by the necessity of financial services in order to develop new businesses. Consequently, there are a few cities that can be considered international or global financial centers (Poon, Eldredge & Yeung, 2004): Paris, London, Frankfurt and Zurich – in Europe; New York, Chicago and Toronto in North America; Tokyo, Hong-Kong and Singapore – hosting the most powerful financial centers in Asia.

Why are financial centers so important for cities? Well, Sassen simply answers this by making a comparison. He states that, while industrial services can hardly survive, the financial ones make supernormal profit (Sassen, 2000). The presence of numerous financial services and their concentration in *localized forms* (Sassen, 2000) enhance their status of global cities.

2.2. Global Cities – Concept, Terminology, Characteristics

Going further, realizing the analytical connection between the financial centers and global cities means understanding the conceptual aspects which define global cities. However, we must mention that many supporters of global cities agree to the idea that the existence of a sophisticated financial complex is a precondition for global city appearance (Poon, 2003, p. 137).

So, what are global cities and what makes them remarkable? The first who makes this methodological and theoretical reference is the sociologist Saskia Sassen in his famous work *The Global City: New York, London, and Tokyo* which was first published in 1991. His concept was soon adopted and developed by researchers of different fields (Acuto, 2013; Mayaram, 2009; Brenner & Keil, 2006; Beaverstock, 2002; Child Hill & June, 2000; Abu-Lughod, 1999), as it was refering to a new reality. Some authors use terms such as *world cities* (Jacobs, 2013; Massey, 2013; Derudder & Witlox, 2011; Knox & Taylor, 1995) or *alpha cities* (Globalization and World Cities Research Network, 2014) in their works, which refer to the same reality described by Sassen.

Returning to Sassen's original ideas, he argues that after the '60s of the previous century, the economic activity started changing and, at the same time, global economy deeply influenced city life. The author's idea fits the classical pattern of the economy-space ratio. Global cities are those urban centers considered to be important knots in the economic world system. For example, the economy of New York is greater than the 46 national sub-Saharan economies together, and there are more tourists coming to Hong Kong than to India per year (Khanna, 2010). The economic power concentrates in global cities while the former production centers suffer (Sassen, 2000).

Although (as we have already noticed) the term has been launched by a sociologist, its origins are in geography and urbanism study. The concept is based on the interpretation according to which globalization is deeply created, facilitated and adopted in geographically strategic places for the global finance and commerce system functioning. Global cities are command centers as they mean power, sophistication, wealth and influence (A.T. Kearney, 2008). The urban centers that have the largest capital markets, elite universities, the most diverse and educated inhabitants, the largest multinationals and the most important international organizations, are connected with the rest of the world more than any other place and they are the real global cities.

According to A.T. Kearney (2008) company researchers, global cities are analyzed by paying attention to the following five dimensions: (1) the economic activity, (2) the human capital, (3) the information exchange, (4) the cultural experience and (5) the political commitment. Together, these five analysis components outline the hierarchy of the global cities.

Taking them on turn, as we did when classifying the financial centers, these five dimensions are composed as it follows. The economic activity is an indicator made of the value of the capital markets, the number of companies in Top Fortune Global 500 having their headquarters in the city and the amount of goods transiting the city. By human capital we mean aspects such as: how the city attracts different groups of people and talents, the number of immigrants within the city, the number of international schools and the percentage of residents who have university diplomas. The information exchange refers to the following aspects: how well news and information are spread in the city and to the rest of the world, the number of international mass-media offices, the amount of international news in the most important local newspapers and the number of internet subscribers. The fourth aspect, the cultural experience includes the number of attractions (not only the tourist ones) for foreign residents and for tourists, the number of major sports events hosted by the city and others. Finally, the last dimension that refers to the political commitment is made of the data referring to how a city influences the global politics and dialog plus the number of embassies, consulates, international organizations, the relationships with other cities and the number of conferences hosted by the city.

The cities in this category are world leaders in fields such as: finance, politics and culture. Some of them are megacities of a developing world and their demand for resources urges them to establish close relationships with their neighbors and to provide services to more and more immigrants. A paradigm of the world we are living in finally appears, namely the fact that cities like Seoul, for example, have more things in common with Singapore or Hong Kong, than with smaller cities in South Korea (Mendoza Pena & Hales, 2012).

3. Methodological Explanations

This research is based on detailed analysis of the domain literature regarding the key-terms used in the text. Taking into account the latest research, we have also used the works about the two main concepts (global cities and financial centers) which places our research within the context of international financial reality.

Regarding the analysis of how important it is for the global city economy to concentrate the financial activities, we had to refer only to the first twenty global cities. Thus, the studies referring to the two classifications – global cities, on one hand, and international financial centers, on the other hand – include only a few cities. As for the global cities, Andres Mendoza Pena and Mike Hales's (2012) study includes only 66 cities, while 79 international financial centers are analyzed (Yeandle & von Gunten, 2013). We mention this in order to point out the importance that the cities presented in the two classifications have for the global economy, taking into account the fact that, at a global level, the number of cities (including those with hundreds of thousands of inhabitants) is impressive. We also had to focus our analysis to the most important global cities in order not to waste the essence of the topic by providing too many useless details. However, we are certain that the results of this study can also be applied to the other urban centers that are globally important.

The statistical data provided by the two studies (*2012 Global Cities Index and Emerging Cities Outlook* and *The Global Financial Centers Index 2013*) and by *Global Metro Monitor* (Istrate & Nadeau, 2012) were really helpful to us. The analysis of the information in the three sources generated interesting comparisons among the twenty global cities.

3.1. The Role of Financial Centers For The Urban Economy

Global Cities/ International Financial Centers Ratio

The first aspect of our discussion is centered on the ratio between global cities and the international financial centers. Thus, the table below shows a few critical aspects of the current analysis. First of all, a real connection between the importance of global cities and their financial sector can be noticed. Except for Los Angeles and Berlin, the first twenty global cities are very important for the international financial centers hierarchy. Moreover, New York and London “fight” for the first position not only regarding the global city hierarchy, but also regarding the financial supremacy where the American metropolis is behind the British one.

According to the data, Europe is the most important continent from the financial point of view, as 20 European cities are part of GFCI 2013 hierarchy. This time Zurich (5), Geneva (7) and Frankfurt (10) (Yeandle & von Gunten, 2013) are found together with London (1), Vienna (20), Paris (26), Brussels (46), Madrid (51) and Moscow (65) which are in the table. Even if they are among the most powerful and influential global cities, they are lower within the international financial hierarchy. One explanation is that, because they do not have a tradition and they are geographically close to the traditional ones, the most important financial flows and services have been taken over by the traditional ones.

The second place regarding the ratio between global cities and international financial centers is occupied by Asia. There are a few powerful financial centers here: Tokyo (6), Hong Kong (3), Seoul (9) and Singapore (4). For our analysis, the power of these cities is given by their GDP (both the total GDP and the GDP per capita). Tokyo is by far the most important international economic center due to its GDP which is $310 billion more than New York’s GDP. The economic power of the Japanese metropolis is amazing by also considering the difference which separates it from New York, difference which almost equal to the GDP of cities such as Hong Kong ($350.4 bn.), Singapore ($327.2 bn.) or Boston ($320.7 bn.). Paradoxically, these cities have very important international positions from the financial point of view (Hong Kong – third position, Singapore – fourth position and Seoul – ninth position), two of them coming before Tokyo. The strategic advantage Hong Kong had in the ‘80s-‘90s regarding the connection of the global capital to the Chinese market meant a rapid development of the economic sector, especially the finance (Lai, 2012).

The fact that Latin America is not present in any of the two hierarchies in the table – which could have contributed to the importance of the American continent – is compensated by the presence of New York, Los Angeles, Chicago, Washington, Boston, Toronto and San Francisco, all representing the Anglo-Saxon America. Among these urban areas, New York is relevant for its economic power, its financial importance and its global sphere of influence. Except for New York, other ten cities (Boston, Frankfurt, Hong Kong, London, Paris, Singapore, Sydney, Tokyo, Toronto, and Zurich) are considered to be *global leaders of finance* (Yeandle & von Gunten, 2013, p. 10), as they are involved in a wide range of financial activities and are connected to other financial centers.

Table 1. The twenty most important global cities

No	City	GDP (Bn. USD)*	Population (million)*	GDP per capita (USD)*	Business and Finance (% of the city economy)*	The place within the global city hierarchy (2012)**	The place within the international financial centers hierarchy (2013)***
1.	New York	1.210,0	19,1	63,238	40,3	1	2
2.	London	731,2	14,0	51,978	47,8	2	1
3.	Paris	669,2	12,4	53,881	47,4	3	26
4.	Tokyo	1.520,0	36,6	41,446	31,7	4	6
5.	Hong Kong	350,4	7,2	48,672	29,3	5	3
6.	Los Angeles	786,7	13,0	60,406	31,4	6	-
7.	Chicago	524,6	9,5	54,953	33,5	7	11
8.	Seoul	773,9	24,0	32,155	27,4	8	9
9.	Brussels	245,3	5,4	45,607	34,5	9	46
10.	Washington	415,2	5,8	71,536	37,8	10	14
11.	Singapore	327,2	5,2	62,523	26,3	11	4
12.	Sydney	203,1	4,5	45,377	33,8	12	19
13.	Vienna	179,8	3,3	47,841	28,6	13	20
14.	Beijing	427,2	21,1	20,275	19,5	14	58
15.	Boston	320,7	4,6	69,308	36,8	15	8
16.	Toronto	260,6	5,9	43,905	38,4	16	12
17.	San Francisco	306,6	4,4	68,974	34,7	17	13
18.	Madrid	264,0	6,6	40,007	30,1	18	51
19.	Moscow	520,1	11,6	44,774	29,0	19	65
20.	Berlin	143,3	4,3	33,311	35,8	20	-

** Global Metro Monitor; ** 2012 Global Cities Index and Emerging Cities Outlook; *** the Global Financial Centers Index*

The second aspect of our analysis is focused on the importance of the financial sector for the internal economy of cities, and for this reason we need to look back at Table 1. The total percentage value of finance and businesses provides a new context for the city economy. In this context, obtaining financial flows becomes a priority for those urban areas that want to be command centers for the global economy.

Besides Beijing, with less than 20% in business and finance, all the other global cities' economy is based on finance and related sectors. The financial sector is the most important even in Los Angeles and Berlin, cities which are not included in the hierarchy of international financial centers: 31.4% for the first city and 35.8% for the second one. London (47.8%), Paris (47.4%) and New York (40.3%) are clear examples of the urban strategy for finance-based economic development.

According to a study of The Economist Intelligence Unit (2013), London is the most competitive city and the greatest financial center at the same time. London's financial clusters helped the city become a financial leader worldwide. *The City* cluster is a "financial city" and juridical center of Great Britain allocating about 7.7 million square meters to office spaces. It is considered a "home" for about 1600 companies from 60 countries and 42 activity sectors and more than 300 thousand employees work here, half of them activating in finance, banks, insurance and accountancy. The *Canary Wharf* is the second important cluster, especially due to its large number of international banks, agencies and companies providing professional services (Barclays, Citigroup, Credit Suisse, Fitch Ratings, KPMG, Thomson Reuters, and J.P. Morgan) and having their headquarters here.

In the middle of the city, *London Stock Exchange (LSE)* is the most important European stock exchange and one of the biggest all over the world. The LSE status can be accessed only by certified investment and credit companies within the European economic area. LSE is made of two different stock markets: *Main Market (MM)* and *Alternative Investment Market (AIM).* MM represents the symbolic market for listing shares, bonds and other financial titles of the largest famous companies. AIM is meant to help small and medium- seized companies to increase the capital they need in order to develop (Mionel, 2013).

Looking back at Table 1, we notice that the financial sector has obvious importance for the host-city economy. Mainly, the 47.8 percentage meaning the financial sector of the London economy represents $ 349.5 billion. The 47.4% of the Paris economy represent more than $ 317 billion. And for New York, the income provided by financial and business activities equals the fabulous sum of $ 487.6 billion.

New York is the second most important financial center of the world and also a traditional one. The US concentration of investment banks and their domination on the market left the other competing national financial centers behind (Sassen, 1999). According to Poon (2003), New York is a *financial supercenter* due to the dimension of the financial market on one hand, and, on the other hand, due to the ability of getting a solid informational basis that allows the global exploitation of information asymmetry. A better regulatory environment (Mainelli, 2006) connected to a high level of transparency can also be added.

Since the American dollar is the mainly used currency in international transactions and the internal market of the city is large, the New York monetary sector seems to be quite privileged. Even if it is on the second position in the hierarchy of international financial centers, New York still dominates the capital market made of the city institutional clusters such as the New York Stock Exchange (*NYSE*). NYSE has been superior to other American stock exchanges since the time of the telecommunication revolution in the middle of the nineteenth century. According to Cassis (2006), NYSE developed as the real American national financial market. We naturally add that nowadays New York functions as a real international financial market which is the symbol of the financial power this global city has.

The comparison between the urban economies of Tokyo and New York shows (as we have seen above) the superiority of the Japanese metropolis. But the contribution of the financial sector (which is quite important for Tokyo – $ 481.8 billion) is much bigger in New York. The Table 1 shows that the income given by the financial sector of these two urban economies places the cities on the eighth and ninth positions in the total GDP classification in the third column. Moreover, if we compared the financial income to the income of some states, we would notice unequal income distribution and how concentrated financial services are in a few cities. The income of business and finance places New York and Tokyo before some states such as Argentina ($ 474.9 billion), Austria ($ 398.5 billion), South Africa ($ 384.3 billion), Thailand ($ 365.5 billion), Denmark ($ 313.6 billion) or Finland ($ 250.1 billion).

According to Global *Metro Monitor (2012)* report, the only economic fields which compete with the financial field regarding the income provided to the global cities are *the local/non-market services* and *commerce and tourism* together. Local/non-market services include: dump goods management, maintenance services, education, health and others. Regarding the internal economy percentage, with few exceptions, financial services are not outmatched by the local/non-market services. Here are some examples: New York (37.2%), London (15.2%), Paris (20.9%), Tokyo (15.3%), Hong Kong (18.5), Los Angeles (37.5%), Chicago (33%), Boston (38.7%), Beijing (35.3%) etc. Tourism and commerce, on the other hand, provide higher percentages than the financial sector only in Hong Kong (31.5%) and Moscow (37.2%).

Despite the fact that tourism holds a higher share of the internal economy than finance, Hong Kong is still the leading international financial center in Asia. Being placed on a higher position than Beijing and Shanghai within the Chinese internal competition and preceding the Singapore state-city, Hong-Kong remains an undeniable global leader in the finance and bank field (Lai, 2012). The *Hong Kong Stock Exchange (HKSE)* had a great contribution in reaching one of the three leading position and in staying in the world top of financial centers. Unlike the Shanghai Stock Exchange which mainly attracts local, generally small companies, oriented towards the internal Chinese market, HKSE focused on attracting large, internationally-oriented companies. Honk Kong's success is mainly due to HKSE's success. The stock exchange strategy proves courage and openness. The companies which are listed at the stock exchange are not only globally important, but they are also similar to the most dynamic and competitive companies, activating in specialized service fields (banks, insurances, telecommunications and informatics technology). At the end of 2012, there were1547 companies listed at HKSE (World Federation of Exchanges, 2013). This large number of companies points out a few positive aspects of the Hong Kong Stock Exchange. It has a liquid market, capable of catalyzing important capital into convertible currency. It increases the international reputation for the transacted labels, which represents an advantage for the overseas labels expansion. The listing process is quite rigid and it stimulates the corporate governance and the assessment of the listed companies (Lai, 2012). The magnetism of the stock exchange is also reflected by the impressive density of the financial service companies which form profile clusters that benefit from the rewards associated to this aspect. According to Jarvis (2011), Hong Kong has an impressive portfolio of licensed banks (more than 200, out of which 145 have foreign capital), including 69 which are among the first 100 in the world. Thus, specialists consider the bank sector in Hong Kong a developed and various one (classical bank deposits, financial titles, treasury activities, precious metal trade etc.) Finally, the data in the table show us that the total GDP of the first twenty global cities represents $ 10,179.1 billion, which is 14% of the world's GDP. The economic power of these global centers is based on the financial sector reaching an average of 33.71%. In other words, $ 3,430.9 billion are obtained only due to the financial activities in the twenty most important cities of the world.

4. Conclusions

Concentrating about 1/6 of the world GDP in only twenty urban centers (which are not necessarily the largest considering the population number), the global cities have been dealing with the world finance despite the obstacles created by the cyberspace. Although online transaction platforms and other such modern informatics instruments provide solutions for profit maximization, companies will need a command center, a headquarters which will manage all the activities. Consequently, the economic clusters in general and the financial ones in particular will not disappear but they will paradoxically consolidate and will gather more and more profile companies. Some of them enter the new market niches provided by their location and by certain increasing services within cyberspace. More concentrated financial activities lead to a diminished role of some financial centers or, more than that, to the disappearance of some very important international financial centers. Those that will keep their status by competitiveness and by quality services will have benefits. The income resulting from financial activities is more and more consistent so it could even exceed the 50% threshold of the urban economy in some cases. Considering all these, the international financial activities will definitely keep New York and London as leading financial centers due to their enormous concentration of resources and talents. They have the ability of "packing the capital in innovative ways" (Sassen, 1999) by working with their subsidiaries (in secondary cities) where they have exported certain financial services.

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