

# Political Economy in the Informational City by Bret Carpenter

SUBSIDIZED HUBZONE

The Cool City Initiative

The Wiredhouse-Network Campaign

Ethernet Solutions

Community Portal + Intranetworking Homes

Urban & Rural Districts 2007

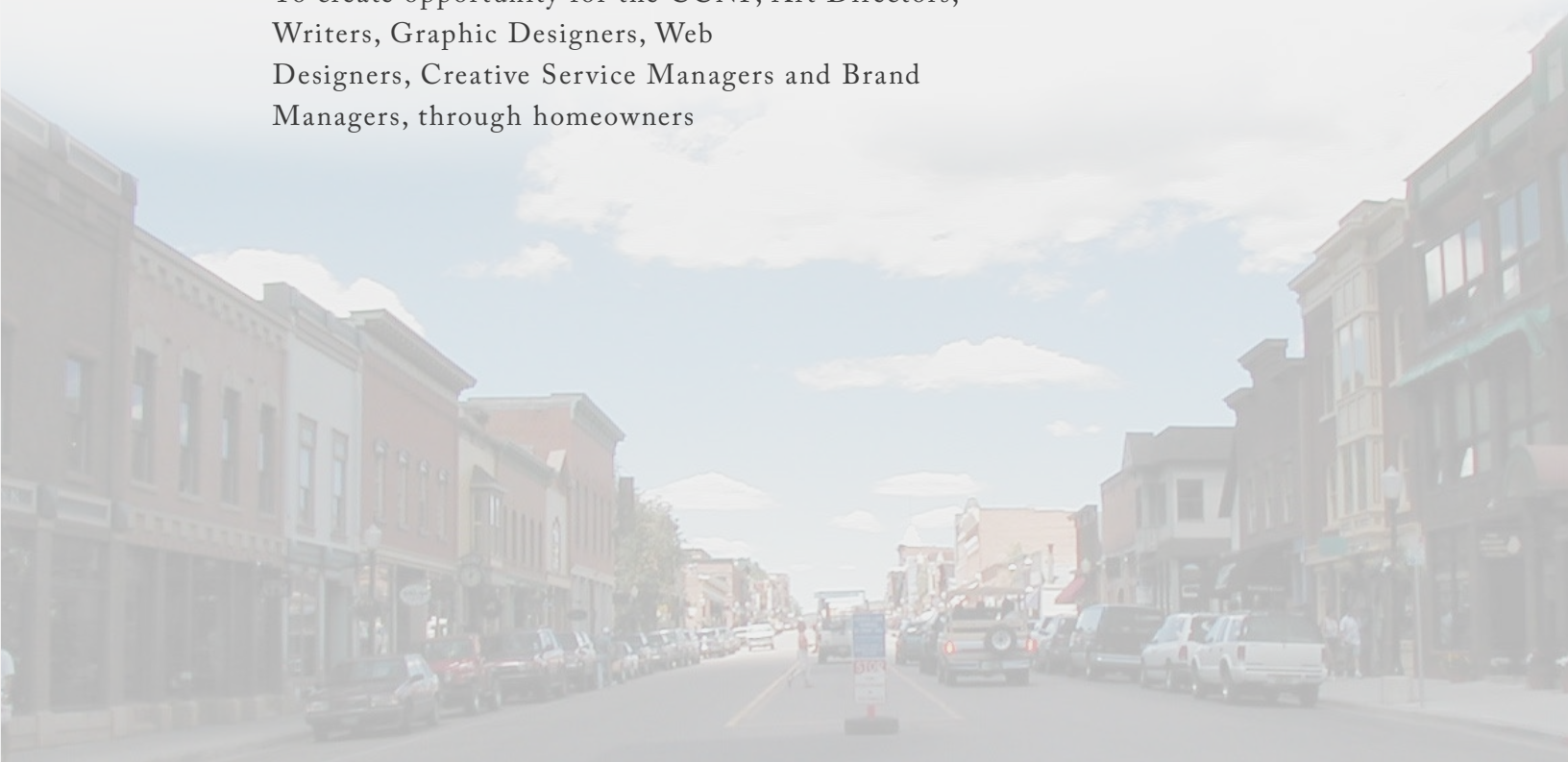
Technology Initiative

To create opportunity for the CCNP, Art Directors,

Writers, Graphic Designers, Web

Designers, Creative Service Managers and Brand

Managers, through homeowners

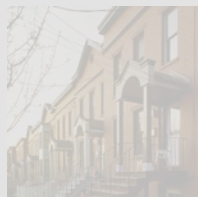


# New Generation Community Development

THIS DISSERTATION examines the political economy of place, specifically the convergence of communication media and new technology in the transformation of New York City . The research reported here is part of larger project that addresses the political economy of post industrial spaces. Paralleling this transformation is the Multimedia Super Corridor in the surrounding area of Kuala Lumpur in Malaysia; the high technology district anchored in Ottawa, Canada's Silicon Valley North and the Third Italy, which is presently Europe's model for alternative successful economic development, established in Italy 's Emilia Romagna region. This research draws theoretical reasoning from the book *The Political Economy of Communication: Rethinking and Renewal* (Mosco, 1996) which puts an idea forward to de-center media by viewing systems of communication to integrate fundamental economic, political, social and cultural processes in society. It draws specifically from the book's treatment of spatialization or the process of transforming space with communication. This paper starts with a brief overview of the political economy perspective, addresses its interest in media concentration and intersection then proceeds to examine spatial convergence and its consequences in New York City.

Political economy premise examines the role of power in the production, distribution and exchange of mediated communication. Drawing from the rich history of political economic theory, it studies social relations and social outcomes in their fuller context, considers how they have developed historically, evaluates them according to standards of social justice and acts to bring about a more just and democratic world. Its primary research interests include strengthening the theoretical foundation of communication research by incorporating an understanding of how structures of power operation and contribution to the transformation of communication processes into commoditized social relations. Specifically, this encompasses research on the global political economy, which is centrally dependent on communication for its growth and research on transnational media companies, which increasingly control communication systems. It also measures how to examine global political economy as constituted out of various business, state and superstate institutions (e.g., the World Trade Organization) as well as class formations that mediate global and local power.

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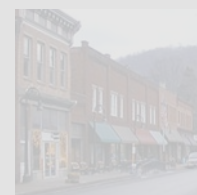
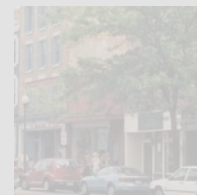
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Political economy has a historic commitment to praxis or the unity of research and social intervention. As a result, it has attracted scholars with a wide range of commitments to social change. Over the years, this has included involvement in the movements to bring about a New World Information and Communication Order, now focused on the MacBride Roundtable process. In addition, political economy has attracted researchers with commitments to the rights of workers in the communication industries and of citizens to the fullest access to media and information.

Political economy recognizes the need to engage questions about the relationship between social class, historically a central coordinate on the map of political economy pertaining to gender, race and nation. It is also committed to examining how political economy and its particular understanding of power as embedded in markets and institutions, relates to the field of cultural studies with its focus on the social construction of meaning in texts and on power at work in the micro-relations of social life. Political economy faces these new challenges even as it addresses its historic mission of research and social intervention on the manifold dimensions of a global political economy increasingly shaped by the power of transnational communication, entertainment and information companies.

Traditionally, North American political economy has focused considerable attention on media concentration or the processes by which companies expand by outright takeovers of other companies. It has also examined the variety of other means (alliances, joint ventures, board of director interlocks) of taking control over other companies within a medium or across different media. One consequence is the rise of a handful of media giants that wield considerable global power. The web of connections linking just six companies: Microsoft, Disney/ABC, Time Warner/Turner Broadcasting, GE/NBC, AT&T/TCI and the News Corp, arguably now shapes almost every major sector of the Information Age including cable television, TV and film production, Internet technology and content, home video and games, telephone, sports teams and stadiums, theme parks, satellites, newspapers, magazines, books, television broadcasting, music and recording. One might dispute precisely which companies qualify for the latest "top ten" (the list changes with new mergers announced regularly) but it is hard to take issue with the financial control these firms exert on the production, distribution and display of information and entertainment (Herman and McChesney, 1997).

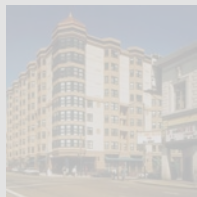
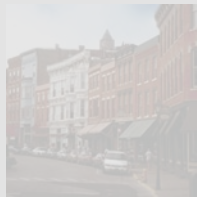


Concentration is associated with the process of convergence which is generally understood to include technological integration of systems to produce, process, distribute and display all forms of communication including audio, visual and data. The ability to process and move massive amounts of content at the speed of light using a common digital language enables companies to take advantage of global economies of scale, a global division of labor and the ability to reprocess the same content for many different formats within the same media conglomerate (Sussman, 1997).

In addition to this widely recognized form of convergence, there is another factor that is growing in importance but which has received little attention outside of specialized fields of technology such as economic geography. This is spatial convergence or the coming together of related businesses that form networks of firms in the same physical place. One of the reasons for the lack of attention: it is a widely held view that communication and information technology eliminate the importance of place by making it possible to carry out complex activities over vast distances.

This is not a recent view. Karl Marx (1973, p.539) remarked on the power of capitalism to “annihilate space with time” over a century ago. Today, there is considerable attention paid to the “death of distance” (Cairncross, 1997) and “the end of geography” (O’Brien, 1992). These conclusions are understandable and contain important insights on the global expansion of business. But in their overstatement, they miss the importance of face-to-face contact and the ability to draw on rich local resources that dense physical networks provide. This is leading scholars to pay more attention to the ways in which spatial convergence is transforming if not annihilating space (Castells, 1996). As a result, notwithstanding the importance of national and global effects, a growing number of political economists across a wide range of substantive areas have recently concentrated on local centers of power and on the local consequences of global power (Eade, 1997; King, 1996; Sassen, 1991; Sussman and Lent, 1998).

Those operating in a cultural studies tradition have already taken a perspective of the local with studies of reception and resistance of specific places. Admirable in its goal of paying attention to what happens when globalization “hits the ground”, as numerous commentators have noted, work suffers because it severs reception from production and distribution, defines resistance in the widest possible terms and sentimentalizes local culture (Harvey, 1996). It is time for communication scholarship that is rooted in political economy to return to the local and not to celebrate it but to rebalance our sense of geographical scale which the geographer Neil Smith (1992: 72-73) correctly concludes is central to a renewed materialist conception of social life.



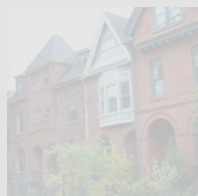
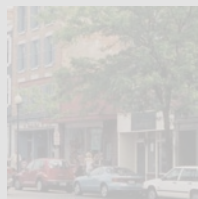
In effect, there is no social theory of geographical scale, not to mention a historical materialist one. Yet it plays a crucial part in our whole geographical construction of material life. Was the brutal repression of Tiananmen Square a local event, a regional, national event or was it an international event? We might reasonably assume that it was all four; of which immediately reinforces the conclusion that social life operates in and constructs some sort of nested hierarchical space rather than a mosaic. How do we critically conceive the requirements for the various balances; how do we arbitrate and translate between them? How do we put back into working order thousands of years of human conditioning that is seemly gone awry?

One way of looking at this is to reflect on Raymond Williams notion of “militant particularism” by which he meant that solidarities developed in specific local struggles that gave rise to general ideas about benefiting humanity (Harvey, 1996: 19-45). For Williams (1989) global ideals such as the democratization of social, political and economic life and the creation of vibrant public spaces that were produced in the confusion of genuine conflicts in communities, factories, offices and homes. The remainder of this paper addresses a contemporary version of militant particularism, what some might see as a distorted or even perverse variation on Williams’ theme, namely, the creation of local and regional high technology zones that transform spatial, social and cultural relations in a locality to the detriment of democratic ideals and the public sphere.

### **New York: From Broadway to Silicon Alley**

New York has been a global commercial center for the past century. Actually its lack of government presence (it was the federal capital from 1785-1790 and never a state capital) has been cited as a major contributor to a risk-taking, endemically self-transformative culture (Bender, 1987). For most of its modern history, New York was the model of a diverse economy combining specialized manufacturing with a large working class population and a service economy rooted in finance, real estate and media. Beginning in the 1920s, business leaders, with primary investments in real estate, sought to drive out manufacturing to create more lucrative office space. It was not until the 1960s that New York began to feel the economic consequences as urban planning designed to advance a service-based “monoculture” and the attraction of lower wage, non-union jobs outside the city led to a massive decline in manufacturing and the end of the post-war boom. Along with the precipitous decline in skilled and semi-skilled manufacturing jobs which has continued to the present (from one million in the mid-1950s to one quarter million in the mid-1990s) employment in the financial services industry also declined as firms moved to the suburbs and automation cut jobs outright (Fitch, 1993; Mollenkopf and Castells, 1991).

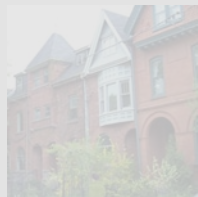
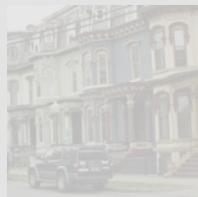
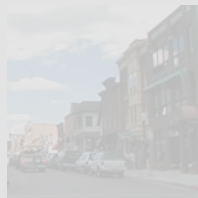
By the mid-1970s the city faced bankruptcy. It is now the “global city” with analysts sparing few superlatives to describe what they see as the New York’s



rebirth (Barber, 1996). There is considerable debate about what this rebirth means and about the price paid for it (Passell, 1997); there is little doubt that the historic centers of the city, the downtown financial district and midtown's Time Square are transformed. The transformation emanates from the development of an integrated network of information and entertainment businesses anchored at the southern end of Manhattan Island by a high tech district dubbed Silicon Alley and in the mid-town Times Square district by a number of media conglomerates dominated by the Disney Corporation.

In addition, Silicon Alley is the technical hub of an agglomeration of New York 's media industries connecting advertising, publishing, broadcasting, telecommunications, mass entertainment, contemporary art and fashion. These are all concentrated in a collection of overlapping districts from Broad Street at the south end of Manhattan , moving north to the SoHo and Greenwich Village artistic communities, through the Times Square entertainment district and on up to the publishing houses north of Times Square and the advertising agencies along Madison Avenue (Roche, 1997). Filling office buildings left vacant by financial services firms that shed workers with new technologies or relocation and giving a post-industrial economic allure to a city once bankrupt and out of manufacturing alternatives, Silicon Alley embodies a cyber version of the phoenix myth: in this case the city's rebirth from the ashes of its industrial past (Chen, 1997). Even so, it also propels a transformation of urban politics and power as corporate-controlled bodies like Business Improvement Districts remake public spaces into private enclaves and rewrite the rules of policing, civic activity and public spectacle. This takes place in the name of connectivity, in this case referring to the connections among the convergent computer, communication and cultural sectors in Manhattan and to the market potential of a web industry built on enhancing electronic connectivity worldwide.

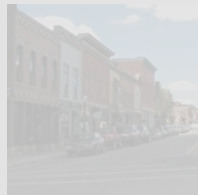
In a short time, Silicon Alley has become a global center for multimedia design and development. According to a 1997 Coopers and Lybrand report, the district anchors a new media industry that employs 56,000 in New York City and 106,000 in the metropolitan area's 5,000 new media firms, making it one of the largest employers of computer communication workers in North America, on a par with Silicon Valley . Annual revenues climbed 56 percent over 1996 to \$2.8 billion in the City and 50 percent in the metro area to \$5.7 billion. Full time jobs in new media now match those in the premier media industries of New York , advertising and print publishing (Coopers and Lybrand, 1997). In addition, Silicon Alley has become a model for the types of mobile production that is increasingly common in web work. Self employed casual workers move in and out benefiting from physical proximity when necessary and returning to other office or their home sites. In fact, Silicon Alley has pioneered in the short-lease, pre-built, pre-wired office, what it calls the Plug 'n' Go system, which allows small businesses and casual workers to move and plug into physical and cyber networks (Rothstein, 1998). The district itself is expanding in ways



that places it in closer proximity to traditional media industries. With rents rising and vacancies declining in the heart of the district, companies are moving north as far as mid-town, west to and across the Hudson River and down Broadway through SoHo as far as the Harbor, where the tax rebates and refurbished buildings are attracting new firms.

Silicon Alley is unique in its integration of media (especially publishing and advertising) the arts (particularly with the development of the SoHo neighborhood) for attracting talent to multimedia design and production and telecommunications (for example the regional Teleport). According to one commentator, "A lot of the style of ... Silicon Alley may be new but the muscle behind it is not. Established New York industries, especially advertising, publishing, fashion and design ... are now leading much of the expansion of the new technologies." (Johnson, 1997) A 1996 Coopers and Lybrand report highlighted the significance of close ties among businesses in these several communities. Forty-three per cent of new media companies surveyed worked principally

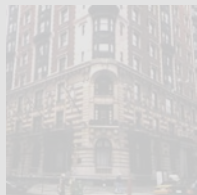
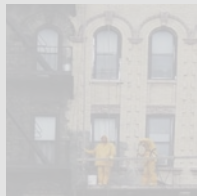
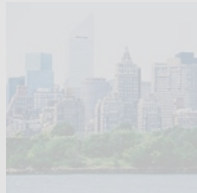
The advertising firm Saatchi & Saatchi demonstrates a vital way in which this system of commercial connectivity works. The S&S Silicon Alley web unit Darwin Digital brought together Proctor & Gamble with Time Warner at the address Parenttime.com. The project links Time Warner's child-care magazine division with an integrated advertising package supplied by P&G, all created and run from New York City . Darwin Digital has also helped create a new network for children's games on the Internet with the major sponsorship of General Mills, the Minneapolis-based cereal company, whose creative staff came to New York to produce the site with Darwin (Johnson, 1997). Indeed, some of the most successful Silicon Alley firms are exclusively devoted to advertising. For example, the Alley firm AdOne, was in 1998 the largest on-line classified network in the United States with over 500 local, regional and national partner publications combining a print readership of 40 million. Advertising has also attracted venture capital to the district. Investment in New York 's new media industry grew from \$167 million in 1996 to \$240 million one year later, boosting the state of New York to fourth behind the high tech states of California, Massachusetts and Texas . But the biggest deals are in advertising. Whereas investments of around \$500,000 are typical for Silicon Alley's typically small web design firms, in 1997 the Silicon Alley Internet advertising firm Double Click, Inc. was on the receiving end of a \$40 million deal with the Silicon Valley-based venture firm Weiss, Peck & Greer (Ravo, 1998). On-line advertiser <sup>24</sup>/7 Media Inc. leaped into the competition with Double Click with a \$10 million venture deal. Finally, another on-line advertiser Agency.com was voted the top Silicon Alley firm in 1997 by the New York business zine@ny. The reward was a decision by the giant advertising firm the Omnicom Group to buy almost half the company's stock, merge it with the on-line advertiser Eagle Interactive to create the largest internet ad firm in the world. New York expects continued growth in the new media sector because of its prominence



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Silicon Alley's growth has been boosted by local government strategies for new neighborhood development in attracting new people to live and work in the City. This is exemplified in the neighboring Battery Park City complex, a mixed upper-income residential and business development project which was built by extending Manhattan Island with landfill from construction of the neighboring World Trade Center. Battery Park is the site of the only major new park development in New York in recent years and one of the city's three major high schools for gifted students was relocated in a brand new Battery Park City building (Gordon, 1997; Fitch, 1993).

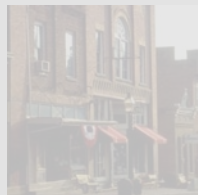
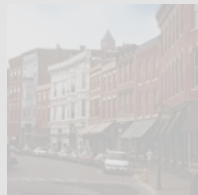


There is much “to do” about the role of the state and city governments in supporting and subsidizing the recycling (including rewiring) of vacant buildings, making it easier for multimedia start-up firms to locate in sites that meet their technical requirements. For example, the City of New York provided low interest loans to help initiate new jobs in start-up firms and after joining with the state of New York to help renovate the headquarters of Silicon Alley, it set aside an additional 120,000 square feet of office space nearby and is offering it to computer start ups at the rent of \$15 a square foot (Lueck, 1997; Fineberg, 1997). It is also important to consider the significance of universities, particularly New York University and networking organizations, primarily the 4000 member New York New Media Association, in fostering new businesses in this sector.

### **NYNY: Corporate control.com**

One of the values of a political economy perspective is that it directs the research to the wider political implications of economic developments. Undeniably, it recognizes that the political and the economic are inextricably bound and therefore requires analyses that concentrate solely on “the economics” of a particular case. Moreover, it views the political economic as one dimension of a wider social totality that includes the social and the cultural. The transformation of New York is not simply an economic development project emanating from the convergence of post-industrial information and entertainment businesses in one densely networked space. It is also a political project that results from the exercise of power and transforms governance as surely as it transforms entertainment attractions in Times Square. Additionally, the transformation contains enormous social and cultural implications because changes in urban political economy which also change communities, their human composition and the quality of the lives lived within them. A paper this brief can only highlight some of the key features of this transformation in New York but it suggests important elements that contribute to a form of militant particularism at work in the city today.

Along with the creation of a new media district in New York , we find a significant transformation in governance with the formation of private sector run Business Improvement Districts that have been put in charge of a wide range of services. They police the streets, manage the parks, haul away trash and remove the homeless, all with private, mainly non-union, low-wage workers, including former welfare recipients who are now required to find jobs. In addition to this, they have the authority to issue bonds (much to the consternation of city officials who fear both the competition in credit markets and the consequences of a BID default) and pay their management well: the head of one earns over twice the salary of the mayor. Moreover, the BID which encompasses Silicon Alley has managed to divert public and private funds to build some of the only new public spaces in New York, primarily to service up-scale high tech workers and their families.



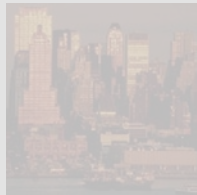
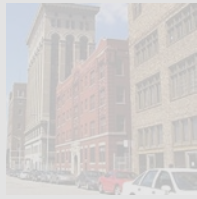
With the advent of high technology, the privatization of basic services and the reorganization of urban government and civic spaces is a proposed solution to alternative funding mechanisms. A public place such as historic Bryant Park, adjacent to the New York Public Library is under BID control.

The New York Public Library is presently defended by swarms of private security guards, particularly apparent during the many corporate sponsored events such as fashion shows, which prevent people with large bags, i.e. the homeless, from entering the park (Birger, 1996; Breskin, 1997; Greenhouse, 1997; Zukin, 1995). As a result, even the usually staid New York Times editorialized that “in its eagerness to benefit from privatization, the department [of Parks] seems to be allowing businesses to set the agenda.” (January 27, 1998, p.A-18)

The only new park construction in New York City is located in Battery Park City, near Silicon Alley, a model of up-scale space to attract up-scale high-tech and financial sector workers. Even a supportive architectural critique notes that “Sometimes it seems as if Battery Park City is the only patron of public space in New York in these years.” (Goldberger, 1996) Some showcase parks like Central Park (sections of which are closed to the public for part of the year but open to companies like Disney who use it to film commercials) and Bryant Park have been spruced up with private money, while the rest of the City’s public space suffers from extreme neglect. In the past decade public funding for parks is down 31 percent and the city is left with 1,700 park employees for 1,400 parks and playgrounds on 27,000 acres (Barron, 1998; “Editorial,” 1998). This is in keeping with the general erosion in the quality of life for New Yorkers who now enjoy the dubious distinction of living in the city with the largest gap between upper and middle and between upper and lower income groups in the United States (Perez-Pena, 1997).

For a city widely viewed as a global information center, New York takes a remarkable number of recent actions that amount to the restriction of basic information freedoms. For example, in an attempt to make its sidewalks more tourist friendly, the city government decided to require sidewalk artists to purchase restrictive licenses. Any artists refusing licensing would be kept off the streets. Among those lobbying for the restrictions were Business Improvement District leaders. According to the president of the Times Square BID, “Portrait artists come when the streets are most crowded. These are the times when the streets cannot bear that kind of immobile congestion.” For the president of the Fifth Avenue BID, artists attract crime: “The relationship is ancillary. The vendors create an atmosphere where pickpockets can flourish.” (Li, 1996, Section 13, Page 1) A group of such post-industrial “refuseniks,” aided by the American Civil Liberties Union, sued the city and won a Federal court ruling declaring such licensing unconstitutional.

The Department of Parks and Recreation imposed a similar requirement that artists must obtain a permit to display their works in front of one of

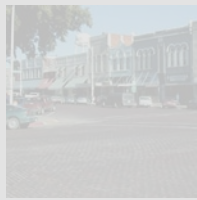


New York's biggest tourist attractions the Metropolitan Museum of Art Claiming that local artists were creating sidewalk congestion, the city tried to remove these vendors. Again, the artists mobilized to resist and the case remains to be heard in court. The city has also attacked the First Amendment rights of street musicians by imposing a \$45 dollar a day permit to perform. Following the lead of their fellow artists, street musicians organized protests and won a Federal district court ruling that the fee exceeded standards necessary to regulate a First Amendment-protected activity. Concluding that the streets were not only overrun with artists and musicians, the city decided that there were far too many news vendors and sought to terminate numerous concessions and raise substantially the license fee on all of the remaining. Once again, vendors mobilized and won a lower court ruling that operating a newsstand is a First Amendment activity and that the city was out of bounds in removing concessions and excessive in demanding a substantial increase in fees. Similar protests are now directed at a new city policy of denying permits to protesters for the use of loudspeakers in Times Square demonstrations. The city has not lost every case and it may win on those that have not exhausted the hearings and appeals processes. But this pattern of activity suggests coherence between polishing up its high tech and mainstream media image and eliminating voices that might scuff the shine. However, there is also a contradiction between the widely shared claim that New York has become the information and media capital of the world even as if one is to accept the courts' view, it militantly restricts the information and media rights of its own citizens (Gonzalez, 1997; Sachs, 1998a and 1998b).

These First Amendment cases are one part of a pattern that combines restrictions, privatizations, militant anti-welfare legislation and overall support for giving big business relatively free rein to make use of public space for private purposes. The city has imposed massive new restrictions on sidewalk food vendors that would ban them from areas like Silicon Alley whose upscale image clashes with hot dog stands. As a result the cheap lunch is increasingly hard to find on the streets of Manhattan (Allen, 1998). [1]

Unable to increase the pay of police officers, the city is for the first time permitting its police to contract out their services on an individual basis to anyone who can pay the \$27 an hour fee. The officer comes complete with bullet proof vest and the power to arrest. As of June 1998, 10,000 police officers had signed up for the service which includes liability protection established by the City of New York , against suits arising from the use of excessive force or injury to the officer (Kolbert, 1998).

The privatization of security is only the latest in a long list that includes privatization of the city's broadcasting stations, which once provided a non-commercial view of New York . Today, that view is provided by the Time-Warner conglomerate whose all news television channels NY 1 is a major provider of information about the city. As a result, a major public media voice has been silenced.



One can only wonder what that voice would have said about another recent city decision that would require physically and mentally disabled welfare mothers to find workfare jobs even as it provides Rupert Murdoch's New York Post newspaper with a \$24.4 million grant following the paper's threat to leave the City. What would it say about the demands of the Yankees baseball team for a billion dollars in city money to build a new park in Manhattan or a half-billion to renovate its structure in the Bronx (Bagli, 1998b; Swarns, 1998; Goodnough, 1998)?

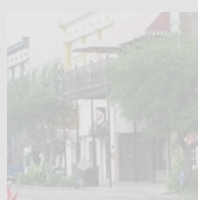
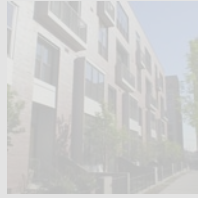
Headlines around the world trumpet the new Times Square but few stories wonder about how it has, as one account puts it, "pushed homeless youths out of their traditional haunts. They now populate a lonelier and hence more dangerous Diaspora in areas such as Harlem and are much harder for the nightly patrols of outreach workers to find and help." The city's own Department of Youth and Community Development failed to spend \$1 million allocated to it to house homeless young people in 1997 and thereby lost \$1.5 million in state matching funds (Rosenberg, 1998, p.16)

Few commentators discuss the failure of Times Square to provide room for any creative alternatives, as one cultural entrepreneur experienced when after eighteen months and one hundred thousand dollars spent to rehabilitate an old movie house and turn it into a performance space for poets, actors and musicians. The vision now lies on the brink of failure because the benefactor cannot afford the rent driven upward with the arrival of Disney. Poignantly, one concluded "We became victims of this upscale thing". We're like canaries in the English mines. They brought them down to see if they would live. They now send in the artists and when the neighborhood goes up, they throw us out." (Gonzalez, 1998, p. B-1)

Another nearby victim of the "upscale thing" is the major bookstore selling new and out-of-print books, maps and vintage photographs featuring New York City . The New York Bound Bookshop and its neighboring newsstand were eliminated so that the lobby of 50 Rockefeller Plaza could sport a brighter space, a new decorative wall in the new concierge, whose major early work was presumably telling people about the bookstore disappearance (Chen, 1997 p.B-7). [2]

## **Conclusion**

This paper described a new challenge for an old discipline. Political economy has historically risen to the challenge of extending its analysis to encompass the many transformations of capitalism including the transition from an industrial to a post-industrial society. Along the way it has addressed new forms of concentration and convergence which communication scholars have applied to the study of the media. This paper addressed the ways political economy might take up a form of convergence that receives far too little attention, a victim of all the globalization "end



of geography” talk. This is the spatial convergence of firms that make up a district of convergent firms that take advantage of physical proximity and supportive governments.

The dissertation took up a specific case of spatial convergence, the City of New York and particularly the rise of a converging computer and media complex based in the new Silicon Alley district of lower Manhattan and expanding northward to the new Disney-led entertainment district of mid-town. The paper described some of the ways convergence is transforming this space, included the rise of a new media industry and addressed some of the wider political, social and cultural implications. Spatial convergence does not only bring about economic change, it also creates the conditions for a transformation in governance, exemplified in the rise to power of private Business Improvement Districts, in the social composition of the city, including increasing attention to governing on behalf of what upper income residents and tourists need and in cultural life, embodied in private, up-scale parks and Disney-led entertainment districts that keep out subaltern influences.

These developments call for a renewed attention to the political economy of the local which would draw the links between transnational power and spatial convergence, to provide a clearer sense of what happens to the social and cultural lives of people when “globalization hits the ground,” to fashion new strategies of opposition that might constitute a genuine geography of resistance.

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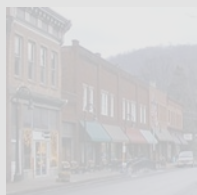
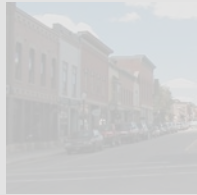
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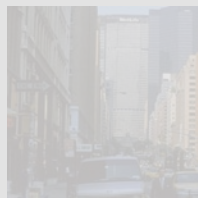
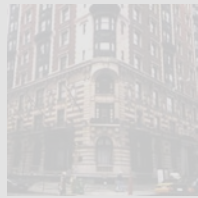
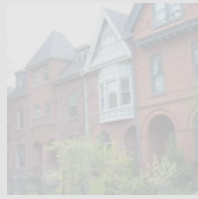
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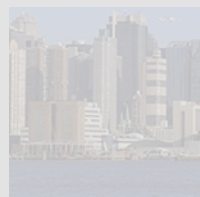
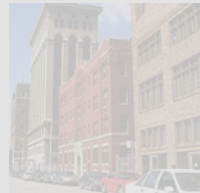
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## Footnotes:

Silicon Alley workers might miss the demise of the “cheap lunch.” The average wage of New York’s New Media sector is \$31,421. By comparison, the next lowest paid media sector is books (\$47,824) and the highest is television (\$63,261). (Roche, 1997, p.63)

## Overview:

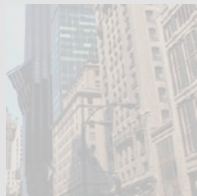
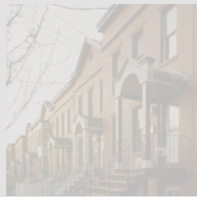
The Nautic Sceptor Foundation will use technology as a tool to augment and enhance existing systems and community development activities to better support the requirements and potential of those residing in the urban setting. Barriers caused by deindustrialization and isolation will shatter as the catalyst of economic resurgence that is made possible with html, java, c+ and the Cisco router, switch and bridge. The intranet connects people and services. It connects government to its constituency. Free market capitalism, if applied appropriately can affect the way with which services are delivered to the economically repressed urban setting. The barriers of time, place and cultural diversity will be overcome by the productivity and wealth that is gained.

Nautic Sceptor Foundation goes further because our focus is on culture and discovering ways to change behaviors. Our approach to the digital divide initiative is to bring technology to the home; the center of culture and learning in most of our lives; then beginning in the home to build with home educational and asset building content. It is in the home that the truest transformation outcomes of technology will be realized. Often vital programs are located at one end of town while the intended recipients live at the other.

To bring technology into affordable housing development at scale, Nautic Sceptor launched Wiredhouse in November of 2004. The Wiredhouse campaign seeks to change public policies at the state level by leveraging existing housing finance policies to encourage intranet working housing development.

The goal of Nautic Sceptor’s Wiredhouse campaign is to change the way states allocate low income housing tax credits (LIHTC) and other financing tools so that one day all new and rehabilitated housing processes high-speed Intranet access in each residential unit. The focus is to have the ongoing monthly costs of high-speed intranet access considered part of the housing budget, like other household utilities. The LIHTC is a significant financing tool because each year the credit leverages several billion dollars of private investment to produce affordable housing to the urban setting.

The “citizen sector” can be quite aggressive. To bring technology into all new affordable housing developments at scale, A not for profit with the collaborative authority given to them by the Fannie Mae Foundation will change public policies at the state level by leveraging existing housing finance policy to encourage developers



to integrate technology solutions into their housing plans -- specifically high-speed Internet access.

Policy changes that have occurred in 11 states, to date, that have instituted a policy change impacting how affordable housing is built. A key dynamic of the real new economy is the virtuous cycle of competition, innovation and productivity growth that can be brought to the urban setting, to foster an emerging market.

Everything begins in the home irregardless as to what simplicity one resides on or the level of complexity reached. Home is made of bricks or wood, we disregard the potential of perceiving the home is a significant learning place. A key component to foster change is to build outward. It isn't about goals or end points, it is a natural progression. If we treat our homes as a microcosm of a greater society we would not talk about customers as relationship and attention points, we would become the customer. That simple change of mental direction would mean that we will all be working and facing the same way, but this requires a trust level that dies with each bad news cycle and each new framing of totalitarian regulation. I operate my family as a microcosm and in so doing alter the relationships in my own home to become that much more intelligent and adaptive, so much so that even technology as an intelligent place in it. It takes a change of direction, focus and a bit more work but the results are foundation, stability and growth, the very three things our society needs the most.

A new type of business entity is emerging: the controlled, hierarchical production or distribution system with features of chaotic self-organization. Self-organizing systems have forever produced integrated outcomes in human societies (language) and in nature (ecosystems). Perhaps the earliest examples of self-organizing commercial systems are town markets that, with their haggling merchants, date back to the dawn of commerce itself. But in the Internet age, self-organizing systems go beyond market exchange to produce complex, sophisticated, highly competitive products: computer operating systems (Linux) scientific blueprints (the human genome) and multimedia social entertainments (online games and music). Mother Nature and the experiences of successful firms—teach us that self-organization can be robust and competitive. Therefore it is about empowerment and ownership, if self-organizing systems function perfectly in nature then it is our responsibility to mentor the families that are willing to become a MICROCOSM of free market enterprise.

