HAL open science

Newyorkology of Tech Capitalism

Patrick Le Galès

▶ To cite this version:

Patrick Le Galès. Newyorkology of Tech Capitalism. Sociologica, 2022, 16 (2), pp.167-175. 10.6092/issn.1971-8853/15458 . hal-03859345

HAL Id: hal-03859345

https://sciencespo.hal.science/hal-03859345

Submitted on 18 Nov 2022

HAL is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.

Distributed under a Creative Commons Attribution - NonCommercial - NoDerivatives 4.0 International License

Sociologica. V.16 N.2 (2022)
ISSN 1971-8853
https://sociologica.unibo.it/

Newyorkology of Tech Capitalism

Patrick Le Galès*

Sciences Po, CNRS, Centre for European Studies and Comparative Politics, Paris (France)

Submitted: September 2, 2022 – Accepted: September 4, 2022 – Published: October 17, 2022

Abstract

The paper stresses the richness, the beautiful writing and formidable ethnography of New York innovation complex by Sharon Zukin, showing both the networks, the imagination and the dark side of this complex. It shows some of micro dynamics of radical urban economic development and physical transformation of New York of the past two decades. However, the book is also an example of self centred newyorkology. The lack of conceptual framework, the incomplete analysis and the New York City focus also leaves the reader somehow unconvinced by some developments.

Keywords: Innovation; urban governance; newyorkology; conflicts; financialisation; urban capitalism.

* patrick.legales@sciencespo.fr

Copyright © 2022 Patrick Le Galès
The text in this work is licensed under the Creative Commons BY License.
https://creativecommons.org/licenses/by/4.0/

Urban cultural sociologist Sharon Zukin has written *The Innovation Complex. Cities, Tech and the New Economy* (2020), which provides a fascinating insight among venture capitalists, start-uppers, public-private partnership leaders, University and local government officials that together provide the infrastructure and the social and financial resources that led to the rise of the new economy in New York. In terms of method, the richness of the book comes from the quality and long term work Zukin has invested in order to have access to some very difficult, discrete business and political leaders. The list of interviews she has performed is exceptional and provides major insights about New York elites.

Sharon Zukin has a clear thesis: "Operating through public-private-non profit partnerships, a tech-financial-governmental elites and its related meritocracy are remarking cities for a new age of global capital" (p. IX). She provides a story of what happened after the 2008 financial crisis, the mobilization of economic and political elites of New York (including the progressive Di Blasio municipality) to develop an economy based upon innovation and start-ups. She keeps a critical distance to analyze the imagination and the norms of this tech/finance form of capitalism, its ideology, its pressure on city councils and the consequences in terms of inequalities, i.e. the dark side of the innovation complex.

The book offers a deep dive within what Zukin names "the innovation complex" of New York. Also, as a vintage Zukin's book, the excellent urban ethnographer of New York vividly writes about people she met (more than sixty interviews), she precisely documents the transformation of Brooklyn where she works, and she connects various interests. She provides a micro understanding of some of the major capitalist changes in the city.

However the book is also raising questions. The book is not really about cities, tech and the new economy. As always with Zukin, a formidable New Yorkologist, New York is the centre of the world, things that started elsewhere are hardly mentioned or analyzed (Silicon Valley at times, a few superficial analyses of Shenzhen), what happens in New York is unique and immensely important for the rest of the world. Finally, what is not local is seen with a lot of suspicion. It's a great example of a lively, informed, sharp but parochial urban cultural sociology.

1 What Is an Urban Innovation Complex? How to Write about It?

In most cities around the world, as Zukin precisely mentions, business and city council leaders alike are adapting to the new stage of capitalism. The making of an urban innovation complex is therefore seen as a key element of the strategy to promote innovation, economic growth and job creation.

Zukin provides a wealth of information about the different constituencies and elements of this innovation complex. She studies the making and the culture of a new tech/finance elite, the trajectories of many leaders e.g. real estate developers, civic leaders, City of New York officials, young engineers in hackathons, start-up founders, venture capitalists, community groups, foundations, partnerships of different kinds. The urban complex is also made of the land, the tax exemption, the subsidies, the infrastructures, the networks, the buildings often developed in relation to the City Council.

In the introductory chapter, Zukin's endnotes comprise some of the literature about urban districts, innovation, innovation complex, urban innovation districts... However, the analysis remains surprisingly thin. Zukin is a formidable observers of people, neighborhood changes but she is not interested in providing working definitions, explaining the development or identifying where ideas come from. In her writing, beyond the footnotes, one will find a reference

to Schumpeter and a rather light analysis of innovation and capitalism, and no discussion of what an innovation complex is supposed to be. There are vague mentions of other cities, of the global transformation of capitalism. Even in the last chapter, no effort is made to bring anything to the conceptualization of urban innovation complex beyond the discourse. Zukin is not interested about why it happened but how it happened in New York and how things unfold to create a dynamic new economy producing major physical changes and inequalities. She is not either interested in analyzing New York innovation complex in comparison with other forms of urban districts or other urban innovation complexes, but she wants to show how things developed in New York.

For instance, in a very telling chapter on the work of New York venture capitalists, Zukin uses her in depth interviews to identify some of their networks, the intense competition they face and how they adapt, their modes of operations — and changes over time — and their imagination. All this brings original material to get a concrete sense of their work within the New York context... and beyond as they progressively operate nationally and internationally (much to Zukin's worry as everything going beyond New York's frontiers). Zukin's developments on how the competition operates at the core of this complex are among the most interesting parts of the book. In particular she beautifully writes about the competition pressure among venture capitalists, and how they change their modes of operation to select the start-ups they will choose for their investment. It is a great sociology of competition between different groups as a mechanism at the core of this industrial complex.

Zukin is in part a cultural sociologist and has written very incisively before about the making of the loft culture in New York for instance. She is following this line of analysis here. Some of the most interesting parts of the book are based upon her analysis of strange rituals of the tech community (hackathons and meet-ups), of the imagination of young start-uppers, on the ideology and discourses of venture capitalists or the legitimating discourse of New York development corporations. As an impressionist painter, she uses little touch to progressively sketch the contours of the tech community in New York, its individuals, representations, organizations, and the way they organize to promote their interest in New York, for instance to obtain access to land, tax exemptions, or the building of the infrastructure they need. This tribe is clearly foreign to Sharon Zukin and the distance allows for ironic and critical comments. However, by relying so much on interviews, she also demonstrates a lack of understanding of some key issues, or naïve points about the dynamics of capitalism when radical technological changes take place.

What is puzzling, though, is at times the vague reliance upon recent sociological work. When she tries to identify the spirit of this form of capitalism she briefly indicates that she wants to follow the theoretical path structured by Boltanski and Chiapello, and that's it. There are elements, but no systematic analyses. Later in the book, she identifies some elements of a community, discourses, imaginations and in one sentence suggests an habitus (in Bourdieu's sense) and then... nothing, no systematic analysis, no deep mobilization of the data to provide insights that might be conceptually useful or that may strengthen the demonstration. Similarly, she does emphasize the imagination of the different people she interviews, including their urban imagination. She clearly shows the importance of vision, imaginations of the future, expectations. She does connect with the work of Jens Beckert which is duly cited. However, the analysis is piecemeal and there is no effort to make a systematic analysis of those expectations to drive investment and their impact over time. It's a pity as Beckert's clear framework and insight, if mobilized in a rigorous manner, would have provided more strength and depth to the analysis. Zukin also makes a reference to Storper and colleagues' famous research on the contrast

between the relational infrastructure of the San Francisco Bay and Los Angeles to explain different outcomes over time and capacity for innovation. One therefore expects a similar analysis of the relations within different groups or shared imagination, or even clear interests. But that does not take place. Zukin's methods is rather to observe, to describe, to show how things took place in New York and to make vague references to literature that may say something similar.

It's a particular type of writing that at times proves very insightful, convincing when the author is more at ease with the literature (e.g. on the renewal of Brooklyn Navy Yards), but at times remains frustrating and superficial for anyone who knows a little bit about start-ups, venture capitalists or meet-ups to organize a community, in many cities of the world.

2 Finance, Land, Conflict and the Politics of the Innovation Complex

Zukin is a noted urban sociologist whose work on lifestyles, loft living, cultural change and gentrification has become a reference. In her new book she also stresses politics, political economy and the making and unmaking of New York as a result of constant struggles between the state and the city council, real estate firms (among the most aggressive in the world), financial actors, community groups, trade unions. She is at her best to analyze the conflict around land use and to unmask the ideology of technical progress and unlimited prosperity that lies behind the discourses about the tech economy.

An industrial revolution usually provokes a reshuffling of the deck where some cities, regions or neighborhoods go bankrupt and derelict while others prosper and become the centre of wealth production and consumption. In every successful city, at times of profound economic restructuring, there is intense competition for land use. Land and real estate are formidable money making machines when projects are successful. Nevertheless, in cities like New York, London or Paris, competition between investors and property developers has increased. It has also led to spectacular bankruptcies.

Sharon Zukin does not belong to the strand of economic sociology that ignores power relations or institutions. She makes it very clear that the land market in New York is political. The value of the land is in part determined by the planning system and the strict zoning laws issued by the City of New York. She provides great insights about the land strategy of Bloomberg and Di Blasio administrations. The modification of the coding system has proved a major policy instrument to marginalize the industry in New York and the groups that benefit from industry in terms of jobs. The interests of the tech industry and the innovation community have been put forward in different organizations and have become very active in different public-private foundation partnerships to voice their concerns and interests. She precisely analyses the alliance between the council (or its organizations like the New City Economic Development Corporations) and those groups that leads to the opening of land for the renovation or the construction of major buildings dedicated to start-ups, or the arrival of tech firms (Urban Technology Growth Hubs) and university research centers – she provides a great analysis of university capitalism in this innovation complex. The chapter on Brooklyn's "innovation coastline" is particularly illuminating as the author is able to demonstrate how public organizations, for instance Brooklyn Navy Yard Development Corporations (BNYDC) , took stunning financial risks to compete with real estate property developers.

Although Zukin mostly studies the innovation complex, she does stress the financial dynamics of the transformations she studies in New York. In the case of Brooklyn, she identifies the major financial mechanisms that have been pivotal to fund the transformation of the yard

as a media centre, an innovation district and a new lab: financial investments from the development corporations, tax exemptions, public subsidies, private investors, real estate money.

In the case of the building of the Steiner studios, beyond local money and the support of different foundations there was an additional trick. The CEO of the BNYDC went for overseas money. What is stunning however was his ability to use the US government's EB-5 Immigrant Investor Program that had been dormant until then. As the author clearly explains, foreign investors making at least a 500.000 dollar loan "in a an area with high unemployment" were able to obtain a two years visas for them and their family. If the investment created more than ten jobs, they were allowed to get a green card for them and members of the family. The entrepreneurial CEO went touring in Chinese city to promote the scheme. He attracted 145 million dollar EB-5 loans from Chinese investors. Quoting him, Zukin writes: "This overseas money"was like a gift from the gods"" (p. 150), to which 250 million dollar of public money (city, state) and 1 billion dollar from private investors were added. However the Chinese flow came to an end (or nearly) once the Chinese government called it a day after 2017. This is not unique to New York, except the scale. Many European countries from the UK to Cyprus or Portugal have also tried to lure wealthy investors by exchanging rights, for instance European passports, for a certain amount of investment in the economy or the property sector (Tanasoca, 2016).

The political dimension of the new tech economy does not solely come out of the entrepreneurial policies of the city to create jobs and compete with other cities to become a hub of the tech economy. This also generates conflict. Zukin tells a great story about the competition, staged by Amazon, to decide where to locate its second headquarter after Seattle. Her great account gives precise elements about the changing power relationship between large firms and city councils in the US. Of course, that is not completely new. Large industrial firms have in the past negotiated their way in some cities. But the Amazon story is exceptional in many ways. Amazon is a giant company with a revenue of 280 billion dollar in 2020. When they looked for a place for their second North American headquarter they organized a competition in September 2017. 237 cities made a bid. Usually, city councils or states may stage a competition to get the best deal for their money. Here it's the other round and Zukin's sharp eye is precise to show how, in the name of tens of thousands of jobs and a 5 billion dollar investment, New York governor Andrew Cuomo and the Mayor Bill de Blasio worked together in order to attract Amazon's headquarters on Long Island city at the cost of more than 3 billion dollar subsidies and tax exemption and a speeded up process for planning approval by passing classic rules. The Amazon project was presented as a crucial contribution to the making of the city's tech ecosystem. For various reasons analyzed by Zukin, the climate to support tech company had changed, debates were organized, the subsidies to such a powerful and rich company appeared scandalous. Once scrutinized in details, the project appeared far less appealing in terms of jobs and the company made no compromise to accommodate the needs of the locals. The political conflict led Amazon to go away. Zukin is right to remind us that conflicts are always crucial to explain the transformation of cities.

3 Financialization and Urbanization

Zukin has spent enough time doing research in New York to become very knowledgeable about financial institutions and the financialization of New York. Although the book is full of interesting elements connected the financing of the various urban tech projects supposedly leading

to the renewed economic prosperity of New York, one may suggest that the analysis does not suffice to make sense of the transformations.

Interestingly, Zukin does suggest that she wanted to identify the coming age of this new tech economy in New York after the 2008 financial crisis, keeping in mind the dotcom crisis of the early 2000. Although she identifies some of the financial instruments and actors behind the so called innovation complex, the importance and scale of the financial process arguably is not fully accounted for. That's also one of the methodological limits of the book, as the author does not systematically uses the literature for her analysis and mostly relies upon her own interviews and press analysis. As it is well known among sociologists of financialization, the post-2008 period (until spring 2022) is marked by an abundance of cheap money worldwide. Despite increasing regulations, that flow of money was accompanied by the rise of shadow banking, all sort of funds from pension to sovereign funds or private hedge funds (Thiemann, 2018; Davis & Kim, 2015; van der Zwann, 2014).

In the US and in Europe in particular, central banks have supported a massive flow of liquidity and cheap money (low or negative interest rate) that had to land somewhere. Because of the resurgence of cities (Storper & Mandeville, 2006) in different parts of the world, a serious body of literature has provided ample evidence of the financialization of cities from infrastructures, utilities, lands, offices or housing (Findesein, 2022; Aalbers, 2020). The financial investment in the innovation complex, the land and the infrastructure is one element of the more general trend of the financialization of cities and the transformation of different elements as financial assets. The story of Zukin is mostly a story of start-ups, firms, venture capitalists, various partnerships and the City of New York to reshape the city through the innovation complex. A different reading might suggest that the financial actors (and not just the venture capitalists) were central in looking for new investments and in providing massive financial backing for entrepreneurial real estate developers, and ready to invest not just in the tech economy, but in different city assets, including land, urban renovation, new buildings (think of the Wework story). In the 2010s, massive amounts of money were looking for ideas to invest. One part of the story is the rise of investments in cities, from housing to infrastructures. The tech story and the innovation complex were great marketing ideas to attract massive investments desperate to land somewhere. At a time when superstar cities were booming (not just New York, but also San Francisco's urban area, Sao Paulo, Beijing, or London), land and real estate prices sky rocketed and provided great returns to investors. New York is also a major financial centre and a global city (it is strange to notice that neither Sassen nor any major work on the major metropolis is cited or used), and it is no surprise to see that urban renewal in the 2000s and financialization after 2008 led to massive investments in the 2010s.

The role of finance is also underplayed when Zukin analyzes start-ups and venture capitalists. Tellingly there is a moment in the book where she wonders what are the differences between startups and new firms. She does provide formidable insights based upon the stories of venture capitalists, their trajectories, the choice they make, the involvement in promoting urban tech hubs and the New Lab and new buildings. She also provides some figures about the scale of the investments and the number of startups and jobs. Zukin also assesses the risk taking strategy and the number of failures among startups. However, the analysis of the links between finances and startups is not always convincing in part because she does not have much interest for those startups, except for the jobs they create. The whole point of those startup is the formidable acceleration of growth that is made possible by innovation and the available of vast amount of finances. When a new firm is created, instead of a development of the business over 25 years for instance, the large scale mobilization of finances from venture capitalists and

others aims at achieving the same development in an intense way over 2 to 5 years. It's not just a question of tech, but rather a question of acceleration and intensification of capitalism that, when successful, may create formidable wealth for those owning the equity in particular, or a vast amount of capital burnt for nothing in case of bankruptcy.

Zukin provides a solid analysis of the innovation complex that is largely limited to the origins, the projects, the financing of the first steps. But Zukin has more or less no interests for the firms, their technologies, the innovations they promote. One wonders whether an understanding of the dynamics of this innovation complex does not require a more precise analysis of the dynamics of the startups, the importance of tech innovation (versus services), their evolution over time, their financing over time, their collapse or successful sale to other firms or financial funds. Understand the reshaping of New York under this new economy (whatever that means) would require more on the dynamics of those elements.

4 New Yorkology

The book is a great book about New York. But for this very reason many points are not so convincing, or even they are slightly irritating. This urbanization process/resurgence of New York is always analyzed in local terms by Zukin even if she mentions some other examples in passing. Urban innovation complex has many origins. Although very successful, New York is a late comer, and the remarkable acceleration in the 2010s does not change this. Of course Zukin acknowledges the existence of the Silicon Valley but, although San Francisco is mentioned a couple of times, the case of New York is seen as a real urban innovation complex in contrast to the Silicon Valley. Although in the endnotes she mentions most of the books published about the Silicon Valley, she does not make much with those, to say the least. It does not occur to the author that this urban tech economy has really thrived a couple of decades earlier in places as diverse as Helsinki, Bangalore, Seoul, or London. There are many instances where Zukin explains the development of some phenomena through the action of particular New York leaders of organizations, from development corporations, to university presidents or the Mayor. In fact, many developments she describes are the result of New York imitating what happened much earlier in other cities. Most obviously the renovation of the Navy Yard has become a classic urban story in different parts of the world in the 1980s and 1990s. Imitation is not part of Zukin's intellectual toolbox but the reading of the book shows how much imitation took place.

Zukin is no comparativist, to say the least. Although a good deal of contemporary urban sociology tends to combine the analysis of the trajectory of groups and cities together with the relations, networks and interdependence between cities, Zukin, as in her previous book, remains heroically loyal to the local dimension explained by local actors and local factors. For instance, she is quite surprised to discover that, once they grow, New York venture capitalists invest half of their funds in other American cities (including Silicon Valley or even Europe or Israel). She has wonderful turns of phrase expressing her surprise and worries, as if New York capitalists were not be global capitalists at the same time: for instance "I must admit that New York's tech and finance ecosystem has benefited from the interregional cross-fertilization of venture capital". As in many other parts of the book, Zukin has to admit that many fluxes of people, capital, ideas or techniques are imported and exported and connect cities, but she is reluctant to do so, she does not take this into account, except in the margin. She occasionally mentions a couple of developments in China or short examples in other cities, but as a newyorkologist she does not see those as important. New York transformations are to be explained by New York actors and

factors. As in the previous book, there is also the occasional point about some transformations that might have been similar elsewhere but become really significant when they unfold in New York.

This is a great research and a very interesting book about the reshaping of New York in relation to private developers, entrepreneurial mayors, startuppers, and venture capitalists. The book precisely explains how the city and the economy were changed in New York over the past 15 years. The method and angle provides a wealth of interesting analysis and information. The lack of conceptual framework, the incomplete analysis and the New York City focus also leave the reader somehow unconvinced by some developments. But the book is beautifully written and the rich empirical texture makes it a very interesting book about New York and its urban and economic transformations.

References

Aalbers, M.B. (2020). Financial Geography III: The Financialization of the City. *Progress in Human Geography*, *44*(3), 595–607. https://doi.org/10.1177/0309132519853922

Davis, G.F., & Kim, S. (2015). Financialization of the Economy. *Annual Review of Sociology*, *41*(1), 203–221. https://doi.org/10.1146/annurev-soc-073014-112402

Storper, M., & Manville, M. (2006). Behaviour, Preferences and Cities: Urban Theory and Urban Resurgence. *Urban studies*, *43*(8), 1247–1274. https://doi.org/10.1080/00420980600775642

Storper, M., Kemeny, T., Makarem, N., & Osman, T. (2015). *The Rise and Fall of Urban Economies: Lessons from San Francisco and Los Angeles*. Redwood City, CA: Stanford University Press. https://doi.org/10.11126/stanford/9780804789400.001.0001

Tanasoca, A. (2016). Citizenship for Sale: Neomedieval, Not Just Neoliberal?. *European Journal of Sociology*, *57*(1), 169–195. https://doi.org/10.1017/S0003975616000059

Thiemann, M. (2018). *The Growth of Shadow Banking: A Comparative Institutional Analysis*. Cambridge: Cambridge University Press. https://doi.org/10.1017/9781316676837

Zukin, S. (2020). *The Innovation Complex: Cities, Tech, and the New Economy*. New York, NY: Oxford University Press. https://doi.org/10.1093/oso/9780190083830.001.0001

van der Zwan, N. (2014). Making Sense of Financialization. *Socio-Economic Review*, *12*(1), 99–129. https://doi.org/10.1093/ser/mwt020

Patrick Le Galès – Sciences Po, CNRS, Centre for European Studies and Comparative Politics, Paris (France)
patrick.legales@sciencespo.fr; https://www.sciencespo.fr/centre-etudes-europeennes/en/researcher/patrick-le-gales.html
Patrick Le Galès is CNRS Research Professor of Sociology and Politics, at Sciences Po, Centre for European Studies and Comparative Politics (France). He is a corresponding Fellow of the British Academy and a member of the Academia Europaea. He is co-editor of the *European Journal of Sociology/Archives européennes de sociologie*. Among his latest books *Globalising Minds, Roots in the City: Urban Upper-Middle Classes in European Cities* (Wiley, 2015), *Reconfigurating States and Crisis in Europe* (Oxford University Press, 2017), *Gouverner la ville numérique* (Presses Universitaires de France, 2019); *Handbook of Global Comparative Urban Studies* (Routledge, forthcoming).