



Platform

Capitalism

Nick Srnicek

Platform Capitalism

Theory Redux

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Introduction

We are told today that we are living in an age of massive transformation. Terms like the sharing economy, the gig economy, and the fourth industrial revolution are tossed around, with enticing images of entrepreneurial spirit and flexibility bandied about. As workers, we are to be liberated from the constraints of a permanent career and given the opportunity to make our own way by selling whatever goods and services we might like to offer. As consumers, we are presented with a cornucopia of on-demand services and with the promise of a network of connected devices that cater to our every whim. This is a book on this contemporary moment and its avatars in emerging technologies: platforms, big data, additive

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manufacturing, advanced robotics, machine learning, and the internet of things. It is not the first book to look at these topics, but it takes a different approach from others. In the existing literature, one group of commentaries focuses on the politics of emerging technology, emphasising privacy and state surveillance but leaving aside economic issues around ownership and profitability. Another group looks at how corporations are embodiments of particular ideas and values and criticises them for not acting humanely – but, again, it neglects the economic context and the imperatives of a capitalist system.¹ Other scholars do examine these emerging economic trends but present them as *sui generis* phenomena, disconnected from their history. They never ask why we have this economy today, nor do they recognise how today's economy responds to yesterday's problems. Finally, a number of analyses report on how poor the smart economy is for workers and how digital labour represents a shift in the relationship between workers and capital, but they leave aside any analysis of broader economic trends and intercapitalist competition.²

The present book aims to supplement these other perspectives by giving an economic history

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of capitalism and digital technology, while recognising the diversity of economic forms and the competitive tensions inherent in the contemporary economy. The simple wager of the book is that we can learn a lot about major tech companies by taking them to be economic actors within a capitalist mode of production. This means abstracting from them as cultural actors defined by the values of the Californian ideology, or as political actors seeking to wield power. By contrast, these actors are compelled to seek out profits in order to fend off competition. This places strict limits on what constitutes possible and predictable expectations of what is likely to occur. Most notably, capitalism demands that firms constantly seek out new avenues for profit, new markets, new commodities, and new means of exploitation. For some, this focus on capital rather than labour may suggest a vulgar economism; but, in a world where the labour movement has been significantly weakened, giving capital a priority of agency seems only to reflect reality.

Where, then, do we focus our attention if we wish to see the effects of digital technology on capitalism? We might turn to the technology sector,³ but, strictly speaking, this sector remains

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a relatively small part of the economy. In the United States it currently contributes around 6.8 per cent of the value added from private companies and employs about 2.5 per cent of the labour force.⁴ By comparison, manufacturing in the deindustrialised United States employs four times as many people. In the United Kingdom manufacturing employs nearly three times as many people as the tech sector.⁵ This is in part because tech companies are notoriously small. Google has around 60,000 direct employees, Facebook has 12,000, while WhatsApp had 55 employees when it was sold to Facebook for \$19 billion and Instagram had 13 when it was purchased for \$1 billion. By comparison, in 1962 the most significant companies employed far larger numbers of workers: AT&T had 564,000 employees, Exxon had 150,000 workers, and GM had 605,000 employees.⁶ Thus, when we discuss the digital economy, we should bear in mind that it is something broader than just the tech sector defined according to standard classifications.

As a preliminary definition, we can say that the digital economy refers to those businesses that increasingly rely upon information technology, data, and the internet for their business models.

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This is an area that cuts across traditional sectors – including manufacturing, services, transportation, mining, and telecommunications – and is in fact becoming essential to much of the economy today. Understood in this way, the digital economy is far more important than a simple sectoral analysis might suggest. In the first place, it appears to be the most dynamic sector of the contemporary economy – an area from which constant innovation is purportedly emerging and that seems to be guiding economic growth forward. The digital economy appears to be a leading light in an otherwise rather stagnant economic context. Secondly, digital technology is becoming systematically important, much in the same way as finance. As the digital economy is an increasingly pervasive infrastructure for the contemporary economy, its collapse would be economically devastating. Lastly, because of its dynamism, the digital economy is presented as an ideal that can legitimate contemporary capitalism more broadly. The digital economy is becoming a hegemonic model: cities are to become smart, businesses must be disruptive, workers are to become flexible, and governments must be lean and intelligent. In this environment those who

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work hard can take advantage of the changes and win out. Or so we are told.

The argument of this book is that, with a long decline in manufacturing profitability, capitalism has turned to data as one way to maintain economic growth and vitality in the face of a sluggish production sector. In the twenty-first century, on the basis of changes in digital technologies, data have become increasingly central to firms and their relations with workers, customers, and other capitalists. The platform has emerged as a new business model, capable of extracting and controlling immense amounts of data, and with this shift we have seen the rise of large monopolistic firms. Today the capitalism of the high- and middle-income economies is increasingly dominated by these firms, and the dynamics outlined in this book suggest that the trend is only going to continue. The aim here is to set these platforms in the context of a larger economic history, understand them as means to generate profit, and outline some of the tendencies they produce as a result.

In part, this book is a synthesis of existing work. The discussion in Chapter 1 should be familiar to economic historians, as it outlines the various crises that have laid the groundwork for

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today's post-2008 economy. It attempts to historicise emerging technologies as an outcome of deeper capitalist tendencies, showing how they are implicated within a system of exploitation, exclusion, and competition. The material in Chapter 2 should be fairly well known to those who follow the business of technology. In many ways, the chapter is an attempt to give clarity to various ongoing discussions in that world, as it lays out a typology and genesis of platforms. By contrast, Chapter 3 hopefully offers something new to everyone. On the basis of the preceding chapters, it attempts to draw out some likely tendencies and to make some broad-brush predictions about the future of platform capitalism. These forward-looking prognoses are essential to any political project. How we conceptualise the past and the future is important for how we think strategically and develop political tactics to transform society today. In short, it makes a difference whether we see emerging technologies as inaugurating a new regime of accumulation or as continuing earlier regimes. This has consequences on the possibility of a crisis and on deciding where that crisis might emerge from; and it has consequences on our envisaging the

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likely future of labour under capitalism. Part of the argument of this book is that the apparent novelties of the situation obscure the persistence of longer term trends, but also that today presents important changes that must be grasped by a twenty-first-century left. Understanding our position in a broader context is the first step to creating strategies for transforming it.

I

The Long Downturn

To understand our contemporary situation, it is necessary to see how it links in with what preceded it. Phenomena that appear to be radical novelties may, in historical light, reveal themselves to be simple continuities. In this chapter I will argue that there are three moments in the relatively recent history of capitalism that are particularly relevant to the current conjuncture: the response to the 1970s downturn; the boom and bust of the 1990s; and the response to the 2008 crisis. Each of these moments has set the stage for the new digital economy and has determined the ways in which it has developed. All of this must first be set in the context of our broad economic system of capitalism and of the imperatives and constraints

it imposes upon enterprises and workers. While capitalism is an incredibly flexible system, it also has certain invariant features, which function as broad parameters for any given historical period. If we are to understand the causes, dynamics, and consequences of today's situation, we must first understand how capitalism operates.

Capitalism, uniquely among all modes of production to date, is immensely successful at raising productivity levels.¹ This is the key dynamic that expresses capitalist economies' unprecedented capacity to grow at a rapid pace and to raise living standards. What makes capitalism different?² This cannot be explained through psychological mechanisms, as though at some time we collectively decided to become greedier or more efficient at producing than our ancestors did. Instead, what explains capitalism's productivity growth is a change in social relationships, particularly property relationships. In precapitalist societies, producers had direct access to their means of subsistence: land for farming and housing. Under those conditions, survival did not systematically depend on how efficiently one's production process was. The vagaries of natural cycles may mean that a crop did not grow