Digital Capitalism? - a one-day symposium

Technology & Democracy Project @ CRASSH

29 September 2015

Background

This is the first of a series of symposia on topics organised by the Technology and Democracy project. Other events in the series will consider

- Privacy (Lent Term, 2016)
- Democratic oversight of state surveillance (Easter Term, 2016)
- The politics of technological disruption (date TBC)
- Technological determinism in the ICT industries (date TBC)

September 29 symposium

What role do digital technologies play in the evolution of capitalism? For decades, this seemed like a settled question: the answer was that the digital was a key enabler of neoliberalism. It was one of the technologies that made globalisation possible. It was what unleashed a Schumpeterian wave of ‘creative destruction’ in established industries, disintermediating incumbents, dissolving decades-old value chains, enabling firms to restructure as transaction costs crumbled and triggering an explosion of ‘permissionless innovation’ which led to the emergence of powerful new global enterprises. These developments were accompanied by techno-utopian narratives extolling the apparently infinite potential of the emerging “new economy” and by more sober studies attesting to the significant economic impact of the internet, with relatively few dissenting

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4e.g. a McKinsey report claiming that the Internet had accounted for 21% of GDP growth in mature economies in the period 2006-2011. See de Rausas et al, “Internet Matters: the Net’s sweeping impact on growth, jobs and prosperity”, McKinsey Global Institute, May 2011.
voices drawing attention to ways in which the technology was being appropriated by both corporate interests and national security agencies or the fact that it appeared to be increasing rather than reducing inequality – even in the societies in which it was most firmly entrenched.

For the most part, however, perceptions of the disruptive impact of the technology were framed in non-political, Schumpeterian terms: the creative destruction wrought by digital technology was just the latest manifestation of the way capitalism evolved. Wherever there were intermediaries like travel agents, the Net could disintermediate them. Wherever there were value chains (like those which bound costly journalism with the profitable classified advertising that paid for it), the Net could – and did – dissolve them. Wherever there were organisations like taxi firms or hotels which employed people to co-ordinate buyers with sellers, technology firms like Uber and Airbnb could replace human co-ordinators with apps – which is why Airbnb, with less than a thousand employees, now has more rooms on offer than even the largest hotel chains. And so on. It was just Schumpeterian business as usual, but with added Internet.

In recent years, however, some clouds have appeared to cast shadows of doubt on the Whig interpretation of digital history.

- There is the paradoxical correlation between the progress of the digital revolution and the rise of inequality, even at the epicentre of the revolution – San Jose in Silicon Valley, where in 2013 the city authorities were cutting social services, leaving potholes unrepaired and planning to strip city workers of health benefits.

- Advances in a range of technologies (processors, sensors, networking, robotics, mapping, geo-location, machine learning) have led to the burst of ‘combinatorial innovation’ which has produced the self-driving car. Tasks and activities which one seemed to belong securely in the domain of human capabilities now seem within the reach of automation. And one careful study estimates that nearly half of the occupational categories

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8 See for example https://medium.com/backchannel/see-ya-later-capitalism-the-collaborative-economy-is-taking-over-34a5f63a37cd
which could be under threat are what are conventionally regarded as ‘middle class’ jobs. Studies like this have evoked the standard responses from sceptics, which mostly boil down to an assertion that because previous alarmism about the impact of automation turned out to be unjustified, we should not be unduly perturbed by the new predictions. But there are also serious scholars who think otherwise – that this time might be different. In a sobering essay, for example, the sociologist Randall Collins concludes that

“Whatever the details of the technologized future turn out to be, the structural trend – the technological displacement of labor – pushes towards capitalist crisis, over and above whatever short-term, cyclical or contingent crises occur. This tendency towards increasing inequality will also undercut consumer markets, and thus eventually make capitalism unsustainable”.

- The emergence of cryptocurrencies has led to questions about whether digital technology might metamorphose from being a mere enabler of traditional forms of capitalism into a fundamental threat to it. Such currencies are media of exchange which use cryptography to secure transactions and to control the creation of units of value. They differ from not only from traditional (fiat) currencies but also from earlier forms of digital currencies in two respects: they are radically decentralised; and they rely on a ‘blockchain’ – a public ledger – to record transactions.

- Peer-to-peer lending. Recent years have seen the emergence of Internet-based organisations which connect those with cash with those who have a surplus of it. Like other peer-based enterprises (e.g. Uber and Airbnb) these P2P platforms are making available a commodity that they do not themselves provide – in this case money. Unlike traditional banks, which make a profit from the spread between lending and borrowing rates – P2P lenders carry out credit-rating and make a profit from arrangement fees. Although the sector is arranging loans at a rate “well over” $10 billion a

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14 See, for example, Nathaniel Popper, Digital Gold: the untold story of Bitcoin, Allen Lane, 2015. Paul Vigna and Michael Casey, *Cryptocurrency: how Bitcoin and cybermoney are challenging the global economic order, Penguin, 2014. There’s an element of hubristic evangelism in much of the commentary on cryptocurrencies, but what’s striking is how seriously established scholars like Susan Athey at Stanford (http://www.forbes.com/sites/laurashin/2014/11/25/could-digital-currency-make-our-money-more-secure/), computer scientists, and even central banks are beginning to take them seriously. In its Research Agenda, for example, the Bank of England comments "While existing private digital currencies have economic flaws which make them volatile, the distributed ledger technology that their payment systems rely on may have considerable promise": Bank of England, One Bank Research Agenda, February 2015, 31. http://www.bankofengland.co.uk/research/Documents/onebank/discussion.pdf
year\textsuperscript{15}, it is still dwarfed by the $3 trillion of consumer debt outstanding in the US alone. On the other hand the P2P industry is currently doubling in size every nine months.

- High-speed trading. Stock market trading is now overwhelmingly computerised, with the average length of time a share is held currently standing at less than a minute. The systemic fragility of a marketplace operating on such a hair-trigger basis is a matter of real concern. There are also serious worries about the lack of transparency implicit in automated, high-frequency trading systems.\textsuperscript{16}

- As the security expert Bruce Schneier has famously observed\textsuperscript{17}, the predominant business model of the current Internet is surveillance. But the long-term sustainability of business models based on the surveillance needed for targeted advertising is questionable and there are signs that the backlash triggered by the Snowden revelations could ultimately render this model unworkable. Widespread use of encryption could, for example, undermine business models based on targeted advertising.\textsuperscript{18}

**Variants of capitalism**

‘Capitalism’ is a portmanteau term which obscures the fact that the Anglo-American variant is just one of many.\textsuperscript{19} Others include:

- the current Chinese variant, a new version of state capitalism
- the Japanese model of the 1980s, characterised by lifetime employment, huge corporate empires and cross-ownership to protect companies from shareholder pressures
- the East Asian model, combining flexible labor markets and low barriers to trade and capital flows, that powered the ‘Tiger’ economies of the 1990s and ultimately led to the Asian financial crisis
- the French strain, which stresses the need for national champions backed by the state
- Sweden’s market system which also supports generous social spending.


\textsuperscript{17}https://www.schneier.com/news/archives/2014/04/surveillance_is_the.html

\textsuperscript{18}Tom Standage, “Is the surveillance-based ad model setting itself up for a fall?”, *The Drum*, 10 July 2015, http://www.thedrum.com/opinion/2015/07/10/surveillance-based-ad-model-setting-itself-fall

\textsuperscript{19}http://qz.com/452076/this-just-in-german-capitalism-has-won/
• the German model which combines elements that seem impossibly antithetical to Anglo-Saxons: powerful trade unions and corporate efficiency; high-cost workers who can nevertheless compete in global manufacturing; generous unemployment benefits and low levels of unemployment; and a fragmented base of independent small-and-medium manufacturers — the Mittelstand — able to compete on the highest levels of productivity and efficiency.

This symposium

Obituaries for capitalism have thus far turned out to be premature. But since the 2008 banking crisis and the sovereign debt crisis that it triggered, questions about capitalism’s systemic viability have resurfaced.20

This symposium addresses the potential implications of digital technology for the Anglo-Saxon variant of capitalism. The fundamental issue is whether the technology will continue to provide the motive power for Schumpeterian innovation, or whether the technology has affordances that could give rise to structural problems within capitalism itself. Our hope for the symposium is to have an open-ended, multi-disciplinary conversation about this question.

Provisional programme

Venue: Cripps Centre, Magdalene College, Chesterton Road, Cambridge. Date: Tuesday September 29, 2015

09:00-09:30 Arrival, coffee

09:30-10:00 Welcome and Introduction (John Naughton and David Runciman)

10:00-11:15 Session 1 | Advanced robotics and Employment

11:15-11:30 Coffee

11:30-13:00 Session 2 | Cryptocurrencies and their implications

13:00-14:00 Lunch

14:00-15:30 Session 3 | High-speed trading in stock markets and targeted advertising

15:30-16:00 Tea

16:00-17:30 Session 4 | The ‘sharing economy’ and its implications

20For example in Postcapitalism by Paul Mason and in Collins et al., op cit. For David Runciman’s review of Postcapitalism (Guardian 15 August, 2015) see http://www.theguardian.com/books/2015/aug/15/post-capitalism-by-paul-mason-review-worthy-successor-to-marx
17:30-19:00 (Public event) **Keynote Address:** Dan Schiller on “Digital Depression”

19:00 Close

**About the Technology and Democracy project** This three-year, philanthropically-funded project is exploring the implications of the digital revolution for democracy. It is based in the Centre for Research in the Arts, Social Sciences and Humanities (CRASSH) in the University of Cambridge and led by Professor John Naughton and Professor David Runciman.