The Critique of Digital Capitalism: An Analysis of the Political Economy of Digital Culture and Technology

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Chapter Ten

On Immaterialism

The emergence of digital capitalism as a dominant ideology is a reflection not of an escape from physicality but of a systematic attempt to deny physicality. This development is the effect of the underlying apparatus—figured through the aura of the digital and the agnotology::surveillance dynamic—coming to dominate the political economy as the ideology of automation replaces human agency and labor with autonomous facture. The full transition, however, depends on an interlocking set of structural changes to the historical nature of both use value and exchange value (currency) in relation to their foundations as a reservoir of already-produced value identified through the relative value of commodities and emergent from human labor. The immaterialism apparent in digitally deployed financialization as a vehicle for the semiotic development of wealth and accumulation without physical production; the process known as “financialization” is an epiphenomenon, a symptom, of how the ‘aura of the digital’ strips concerns and the ability to recognize the distinction between immaterial and physical production. It is this immaterialist production (validated by the ideology of automation) that dominates the political economy through the substitution of immaterial values for physical production and semiosis for manufacturing, while maintaining its dominance
through the security apparatus. It is the logical terminus of the transition to a “digital economy” where all commodities that can be delivered with digital technology will be, with the ultimate goal of eliminating most manufacturing entirely through the digital fabrication of physical objects (already apparent in on-demand publishing and the 3D printer); the replacement of physical currency by an immaterial one (exemplified by Bitcoin, as well as the use of both debit and credit cards) is part of this shift towards an economy based upon digital technology.

The changed nature of the digital economy, most visible in how the financial institutions receiving bailouts in 2008 and 2009 became stronger as a result, shows the new relationship between the physical commodity-form and the immaterial value (and increasingly immaterial nature) of currency. The emergence of immaterialism does not represent a rupture with physicality: the immaterialism that is the defining feature of digital capitalism is intricately and innately tied to physicality. The “rupture” posed by the changed relationship between physical and immaterial production is an ideological claim made by immaterialism following the “aura of the digital”; much of the pathological and self-destructive aspects of digital capitalism develop from the ideology of the digital’s rupture with physicality being false.

The development of immaterial labor and its consequent deployment of financialization necessarily generates asset bubbles, followed by crashes, precisely because the denial of physicality that is the aura of the digital is an illusion (this, in fact, is the meaning of the aura of the digital—it is an illusion that denies the constraints imposed by physical materiality). However, the problem posed by immaterial value in digital capitalism does not suggest a dialectic opposition of immaterial and physical, so much as a spectrum of dominance where physical and immaterial value exist dynamically with interpenetrating positions of greater and lesser significance all maintained through agnotology::surveillance. The shift from coincident values to this variable dynamic spectrum is essential for the immaterial generation of value through semiosis.
The immaterial values identified within digital capitalism present a logical development that follows from a shift in Marx’s fundamental assumptions about the structure and relationship of the commodity-form, exchange value, relative value, labor and their relationship/role in/as currency. It is precisely because currency is coincident with commodity-form that Marx has no need to address the situation emergent in digital capitalism. For his theory, currency is a dynamic inseparable from the concept of commodity-form.

The contradiction between the futurity of currency and the reality of labor, called the “unwinding of debt,” is an inherent feature of how digital capitalism employs a virtualization of values. As digital capitalism expanded, the US Dollar assumed the role of universal equivalent between both commodities and currencies. Its exchange value is the relative value of all exchanges within the global political economy; that the US Dollar also happens to be a fiat currency led to the emergence and current dominance of immaterial production. The immaterial force of digital capitalism develops from the breach in the duality of currency and commodity-form; thus, in digital capitalism there is, necessarily, no “saving” of past labor value. Following the Ponzi model, it forces a continual process of valorization as the need to identify new, unfinancialized domains that do not require repayment steadily increases. Historically this has meant the expansion of labor, or the invention of new markets; in digital capitalism, it develops a specifically novel form of valorization through automation that enables the transformation of social actions and activities to commodity-form in ways that were previously (historically) impossible.

Yet, what digital capitalism poses for Marxist analysis is not a hard break with the established interpretations so much as a fundamental modification to address immaterialism. Such a modification does not mean that all existing interpretations are necessarily no longer applicable, but rather that their application should not be assumed to function in precisely the same fashion. What I have termed “digital capitalism” is less a rupture with the past than the heightening of
key elements present at all times within capitalism itself; immaterial production’s shift into positions of dominance does not entail a disappearance of physicality, but rather its stripping from consciousness.

§10.1

As digital technologies developed in the 1960s, expanded throughout our culture in the 1970s, 1980s, and most visibly in the 1990s, there was a general reordering of industrial culture and production around this new technology. Automation of both physical and immaterial production, globalized offshoring of labor, and the networking of shipping, communication, and immaterial trade all depend on these digital technologies; without them, the reduction of latency in communication essential to immaterial production would be impossible. The speed of many of these transactions is striking: trades lasting only a fraction of a second using High Frequency Trading “bots”—automated digital systems—have become the dominant productive force in immaterial value generation.

Within the digital we have a technology that appears to be essentially a matter of immateriality—of course this is not true; however, what is of interest is that we seem to behave as if it were true, and it this behavior that is significant.

Immaterial production is possible because the digital is a semiotic realm where the meaning of a work is separated from the physical representation of that work; the “aura of the digital” describes an ideology that claims a transformation of objects into a semiotically-based immateriality, which is linked to the actual conditions of digital technology, most obvious in the relationship of a digital “copy” to the digital “original.” Both are identical (not merely equivalent, but the same); based in implementations of code, they do not decay when copied, used, or reproduced—making it possible to sell a digital work and retain it at the same time. This final factor enables the ideology of accumulation without production that is specific to digital capitalism.
§10.2

The paradox of immaterial value and futurity in fiat currency can be recognized in the non-physical basis of exchange value: the relationship between currency and commodity is not automatic; Marx recognized this fact by defining “currency” as a pure social relation. Thus the contrast between the virtualized currency of digital capitalism and traditional currency is stark: traditional currency was a physical commodity with a clearly defined value. Its symbolic value was directly connected to its commodity nature, and its relative value to other commodities was limited by physical production.

Changing the traditional relationship of commodity to currency also changes the relationship between that currency and labor; immaterial value emerges as a labor-debt. While currency maintains its exchange basis through the social relationship at the heart of the universal exchange commodity, the shift to the production of immaterial values independent of physical production necessarily sets labor against value.

The virtualized (digital) value produced by semiosis replaces the physical commodity form, and immaterial labor replaces physical production, revealing the process of reification that legitimates immateriality as a vehicle for wealth production. Market-based semiosis generates wealth without expenditure via the spontaneous creation of exchange value sans labor or consumption of resources, because semiosis is transactional, not productive. This change appears as/through financialization; the accumulation it enables also distances all other exchanges from their connections to physical commodities. The distancing is a function of the digital immaterialism, and is the basis of financialization; it is the reason why the current financialization is merely a symptom of immaterial values gaining a dominant position.

§10.3

Digital capitalism is a global phenomenon, and not simply a symptom of hegemonic decline, for several, interlocking rea-
sons: (1) the US Dollar functions as the global reserve currency, meaning that all other currencies’ value and conversion is in relation to the US Dollar, and (2) that in spite of deep systemic shifts in American industrialization via off-shoring and globalism that have resulted in the United States becoming a net exporter of raw materials for manufacturing in China, Japan, and elsewhere (in effect resembling a developing nation in its dependency on foreign manufacture), it remains in a position of global economic dominance.

While (2) almost certainly is a function of (1)—that the economic dominance is a function of the role the US Dollar plays in global economics, David Harvey’s crisis of overaccumulation of capital where the local market is no longer capable of providing sufficiently profitable investments in production and infrastructure driving a move to financialization cannot be reconciled with the reality that (3) China, like Japan in the 1980s before it, invests its trade surplus not in developing and expanding its domestic infrastructure and market, but instead in US Treasury bonds and other immaterial assets. The Japanese- and now Chinese-led Asian investment in US Treasury securities and US Dollar-based investments, including subprime mortgage-backed derivatives, reveals the global scope of this immaterialist process in action where immaterial values dominate over physical commodities and production.

This discrepancy between Harvey’s model (much as with those posed by Giovanni Arrighi and Immanuel Wallerstein) and actual market behavior finds a resolution or explanation in factor (3). The international basis of digital capitalism is logically predicted (and required) by the ascendancy of immaterialism. That it serves the dominant economic interests of the United States follows from the central position that the US Dollar plays as global reserve currency and the relationship between the US Dollar and the Chinese Yuan. The global economy in the first decades of the twenty-first century is intricately tied to that of the United States.

Because there is no commodity equivalent, fiat currency is not an embodiment of productive action, or a repository of
already-generated-value precisely because it has no commodity-basis, and thus cannot be translated into a commodity; it undoes the preservation of values generated by past labor through/as currency. This foundation requires the emergence of internal asset bubbles in China (credit, real estate, etc.); however, these should not develop, given Harvey’s model where the financialization producing bubbles is a symptom of decline in hegemonic dominance and the over accumulation of capital without productive sites for investment. Similar bubbles developed in Japan in the 1980s, and are present throughout the global market: consider the construction/debt bubble in Dubai, and the various problems of the so-called “PIIGS” in Europe in 2011 and later that were aided/enabled by investment banks during the 2008 Housing Bubble’s expansion. Consider too, the discrepancies in labor value in the form of the minimum wage between the United States and those sites where offshore production occurs, including China; and that China’s currency is directly “pegged” to the US Dollar in the way the US Dollar was “pegged” to specific quantities of gold prior to its transition to fiat currency status (1 oz. = US$35, set by the Bretton Woods Agreements in 1946). These facts are the key distinction between his concept of over accumulation of capital and my suggestion of the scarcity of capital. It is not that there is too much capital in this global system, but that there is too little to meet the obligations posed by the production of immaterial values on a global scale, with the US securities markets and investment firms in a central position.

Thus, the contemporary shift to financialization is not driven by a lack of physically productive sites for investment in these developing markets, but rather by (1) an ideology of rupture between physical and immaterialist value, recognizable as the aura of the digital, and (2) the use of fiat currency as the globally dominant reserve currency; the possible transition to a currency created by the IMF’s SDR, or Special Drawing Rights, would be the substitution of one social reification (fiat currency) for another. In this respect, the scarcity of capital may be a negative reflection (or logical inversion)
of Harvey’s over accumulation of capital, with consequently both homologous effects, and significant differences.

§10.4

The ascent of the aura of the digital is the dominance of immaterial concerns over and against physicality. It is this dominance of an immaterial ideology, not a disconnection from physicality, that produces digital capitalism. The aura of the digital is apparent in this immaterial production because digital technology enables an illusion of production without consumption. This shift from a basis in limiting factors and scarcity is inherent to the immateriality posed by the digital; at the same time, it denies how scarcity of capital is imposed by the dual forms of interest and profit on capital expenditures. How this dynamic plays out creates both asset bubbles and their collapse; however, the issue of immaterial asset bubbles is not that they eventually collapse, but rather the belief in structures which produce them: it is a question of behavior and ideology.

The cyclical boom-bust character of capitalism has been a continuous feature of its history stretching into the nineteenth century. What has changed is not that these cycles continue to happen—they are unavoidable. As attempts to hoard physical assets to hedge against currency fears follow one asset bubble and crisis, a new asset bubble (followed by another crisis) appears instead. The cyclic nature of these expansions and collapses intensifies the conflict between labor and value as the responses of digital capitalism tend to reinforce the immaterial bias already in effect, making the divisions between social classes greater with each new conflict.

Dramatic increases in currency-in-circulation are an essential feature of the immaterially-based accumulative procedure. The value of fiat currency only exists as a result of social action and trust in the fiat currency. The generation of new value without production is only possible when currency (universal equivalency) is separated from a basis in commod-
it is a virtual economy where values cannot be brought into question without placing the entire system of value into question. Dangers posed to this immaterial system necessarily force agents within that system to conserve immaterial values via a bailout and suspension of normal trading rules, or else risk losing the social trust necessary for the fiat currency to continue to function.

However, because of the unique role of the US Dollar in the global system of exchange, digital capitalism poses a special situation for this traditional resolution to the asymmetry of value and labor. Since digital capitalism develops from (1) fiat currency replacing the universal equivalent, (2) its global deployment as mediator of all exchanges, and from (3) a transition to the semiotic value generation of financialization means that the traditional solutions cannot be employed without threatening to collapse the trust that is the social basis of fiat currency. As the Ponzi model suggests, digital capitalism is threatened with immanent collapse when this circulation ceases. Asset “bubbles” are not only required by this system, they are a function of digital capitalism in action; thus the necessity for bailouts when asset bubbles burst.

Scarcity of capital within this construct becomes apparent via the inherent imbalance between existing values and the number of potential future claims posed by a derivatives market whose value is significantly larger than the quantity of immanent labor (physical, automated, and immaterial) available to produce new physical values to match those claims; however, it is not a question of commodity values vs. speculative values, but between rentier claims and production capacity. Within this fiat currency system the action of the digital aura is both an expansive procedure and an immaterial “production” via the commodification of virtual “assets” without relationship to physical commodities. Scarcity of capital is a constant feature of this arrangement. There is always a greater outstanding debt than currency to repay it; it is modeled by the Ponzi scheme, which demonstrates this accelerating process of circulation and the inevitable collapse that follows it.
The biopolitical paradigm of distraction that has been termed “affective labor” is a symptom of agnotology that affects all participants, even those charged with “managing” digital capitalism. The limited horizons produced within this social network of agents and immaterial assets constrains the awareness of potential solutions to those that reinforce the established dynamic precisely because it is the enabling factor for the perpetuation of the cycle of bubbles and the escalation of values they create. The ideology reified in the aura of the digital suggests the problem posed by this inherent instability and potentially immanent collapse can be resolved via the shift from physical production to semiotic (immaterial) production. It appears in digital capitalism as a reflection of the desire to transcend these cycles; the claim that these cycles had been surmounted was commonly in circulation throughout the run-up in asset values, most apparent in the claim (by Alan Greenspan among others) that there was no “Housing Bubble.”

The instability of digital capitalism that creates collapse (and the movement towards necrosis) is fundamentally the imbalance predicted by the Ponzi model of accumulation: the inability of production to meet the demands posed by capital. Semiotic manipulation characterizes this immaterial production. Values are generated through cycles of exchange, creating asset bubbles; they are a function of the semiotic reassembly and transfer of derivative (secondary and tertiary) immaterial commodities. This is a system haunted by the attempt to expand towards infinity inherent to capitalism in general. The shift to fiat currency (as much as the use of rentier currency) appear, much as the aura of the digital does, as solutions to this inherent paradox. It is ironic that these “solutions” are exaggerations of the underlying problematic itself; yet this factor is the ideological blindness, as much as the emergence of agnotology, that enables the shift towards immaterialism through the aura of the digital and the rise of digital capitalism.