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The Parameters of Platform Capitalism

Niels van Doorn

Review of Nick Srnicek (2016) *Platform Capitalism*. Cambridge and Malden: Polity Press, 120 pp.

When reflecting on the impact of digital technologies on capitalism, what exactly are we referring to when we use the term ‘capitalism’? Is it an economic system wedded to a particular mode of production – one rooted in private property, market competition, and the profit motive? Is it a juridico-moral constellation whose normative framework grounds and protects the competitive pursuit of property and profit? Or rather, is it in essence a political theory whose logic of “possessive individualism” (Macpherson 1962) is internalized by subjects operating on the assumption that the market will allow them to flourish in freedom? Such questions regarding the identity and scope of capitalism may seem to express a merely theoretical concern, yet they do in fact shape the kinds of research that can be conducted, insofar as they delineate what (institutional) actors and processes can be included as legitimate objects of study. Although many critics would likely agree that capitalism is a dynamic and heterogeneous assemblage which incorporates all three aspects suggested above, the adjudication of their respective pertinence – and thus the extent to which each receives scrutiny – will undoubtedly be informed by disciplinary interests. Moreover, it is capitalism’s very heterogeneity and dynamism

that complicates any attempt to grasp it as a monolithic whole, so as scholars we necessarily opt for particular approaches that foreclose others.

One therefore cannot fault Nick Srnicek for providing an unapologetically economic reading of the most recent transformations in capitalism’s *longue durée*, which have been propelled by the rising ubiquity of digital platforms ranging from Google, Facebook, and Amazon to Uber, Airbnb, and Deliveroo. In *Platform Capitalism*, Srnicek offers his readers a sharp, concise, and historically sensitive account of what is and isn’t new about companies that mobilize platforms both as a technological architecture and a business model for gaining a competitive advantage and to create novel forms of value. In doing so, he usefully counters much of the hype that has inevitably accumulated around the platform concept, yet – as I will argue below – his focus on platform companies as primarily economic actors also obscures a number of ways in which these companies, and platform capitalism more generally, are transforming societies on a global scale. Srnicek justifies his narrow approach in the book’s introduction, by distinguishing it from existing studies on the digital economy which, despite their numerous contributions, have neglected “economic issues around ownership and profitability” or have detached such issues from their history (Srnicek 2). In response, *Platform Capitalism* “aims to supplement these other perspectives by giving an economic history of capitalism and digital technology, while recognizing the diversity of economic forms and the competitive tensions inherent in the contemporary economy” (2-3). The three chapters that comprise Srnicek’s slender volume realize this aim by subsequently looking at the past, present, and future of platform capitalism. Ultimately, according to Srnicek, this conceptual approach “is important for how we think strategically and develop political tactics to transform society” (7), although his analysis unfortunately stops short of developing such tactics in any detail. After considering the arguments put forward in each chapter, I will suggest that this omission can be partly attributed to the book’s lack of engagement with what exceeds the parameters of its business-centric assessment.

Past

Chapter 1, “The Long Downturn”, sets out to “historicize emerging technologies as an outcome of deeper capitalist tendencies” (7) by attending to three relatively recent events that presumably express such tendencies: the response to the economic downturn of the 1970s; the expansion and subsequent implosion of the dot-com bubble around the turn of the twenty-first century; and the aftermath of the 2007-8 financial crisis. I write “presumably” here not so much to question Srnicek’s account as to highlight the point that it matters what story is being told about capitalism, for it determines how we apprehend and evaluate the agents driving its change. For Srnicek, capitalism is essentially marked by “generalized market dependency” that ensures a “systemic imperative to reduce production costs in relation to prices” for goods and services, which requires the constant optimization of labor processes and productivity through technological innovation (11). This narrative concerning capitalism’s core tendencies, which focuses on competition between firms while largely limiting the role of national governments to the creation of monetary policies that stimulate investments in private assets, will turn out to inform his later assessment of platform capitalism – for better and for worse.

What I appreciated about Srnicek’s analysis in this chapter is his effort to show how capitalism as a mode of production crucially depends on both technological and financial support in its ceaseless quest for capital accumulation. The three moments he takes as exemplary expressions of capitalism’s will to power/profitability are connected by the fact that each represents a next phase in the ongoing restructuring of the modern corporation into an agile business entity, whose contemporary expression is the platform company. Such a business entity concentrates on high value-adding activities while divesting itself from “downstream” employment liabilities through technology-enabled outsourcing and subcontracting practices that remotely manage its fissured supply chains, (ostensibly reconfigured into so-called “value ecosystems” in today’s platform economy).

Moreover, this restructuring has been shaped by the increased role of financial markets and instruments, which in turn have been bolstered by deregulation and

loose monetary policies. As Srnicek rightfully points out with respect to the spectacular growth of venture and equity capital investment in tech companies during the 1990s, these policies did not only lay the groundwork for the digital economy but also precipitated the 2001 stock market crash as well as the sub-prime mortgage crisis. Yet he also ignores some important processes and actors, which produces some critical blind spots in his account.

For instance, he does not pay attention to how financialization has affected business practices and objectives, especially in relation to human resource management. Although he mentions the importance of shareholder value in corporate decision-making, there is no discussion of how the proliferation of share repurchasing, or the increased role of financial service provision which shifts corporations’ core business from producing goods/services to rent-seeking, have had deleterious consequences for labor (Lazonick 2010; Thompson 2016). Furthermore, while Srnicek notes that unions during the 1980s “faced an all-out assault and were eventually broken” (17-18), he does not explain how this assault was the result of concerted government efforts. As Peck and Theodore (2012, 746) have noted, in the US these efforts “crystallized in the Reagan administration’s economic program, which not only authorized wide ranging welfare retrenchments, while taking the fight to organized labor in the form of antiunion stances and policies, but also articulated a normatively positive discourse of labor market ‘flexibility,’ while (directly and indirectly) sanctioning the expansion of contingent labor practices.” In other words, national governments do more than create favorable monetary policy; they are active (*activist*) agents in capitalism’s evolution, shaping the conditions for capital accumulation and labor organization. This is not just a matter of companies taking advantage of deregulation and doing what they must to cut costs and meet their bottom line, as Srnicek’s story implies. This is about neoliberal governance as a dynamic mode of intensive regulatory experimentation that reconfigures relations between business, finance, and labor while also reimagining the role of the state. Interestingly, Srnicek does not once refer to neoliberalism in this book, which may signal his distaste for the term or his reluctance to consider capitalism as a mutating *political* project – now increasingly concerned with governing by debt (Lazzarato 2015) – rather than solely a mode of production.

Present

Chapter 1 ends with a portrayal of “the present conjuncture” as defined by fiscal austerity, corporate tax evasion and cash glut triggering risky investments, and growing job and income insecurity (Srnicsek, 34-35). This sets the scene for chapter 2, “Platform Capitalism”, in which Srnicsek focuses his narrative on the rise of platforms as the new technology for extracting, processing, and analyzing data, which have become a central source of profit generation and competitive advantage in the digital economy. If this seems like a bit of a leap that’s because it is, as the chapter offers no discussion of how each of the last three recessions (1990-91, 2000-02, and 2007-09) was followed not only by a “jobless recovery” (Peck and Theodore 2006), but also by a new stage in the development of networked information and communication technologies: the World Wide Web, the so-called “Web 2.0”, and pervasive mobile internet connectivity. Each stage featured experiments with new forms of capitalist value-creation and extraction in the face of waning economic growth, yet what ultimately ties these experiments together is their quest to orchestrate increasingly frictionless markets by optimizing the distribution of information (or its proxy: data) as well as the management and prediction of human behavior (through data analytics). Each stage, then, can be understood as a particular yet cumulative articulation of behavioral economics with cybernetic reason. Srnicsek does not address this development, however, and while he mentions the massive investments in internet infrastructure during the 1990s boom, I particularly missed an appraisal of Tim O’Reilly’s (2005) influential “Web as Platform” idea, which both envisioned and reflected a reconfiguration of the web into a programmable, data-driven, and “social” architecture. Despite this oversight, Srnicsek offers a useful description of platforms as a new kind of firm that owns and manages a computational infrastructure which intermediates between different user-groups and governs their interaction possibilities, while “displaying monopoly tendencies driven by network effects” (48; see also Bratton 2016: 41-51). The rest of the chapter is dedicated to an overview of the emerging platform landscape, presenting and evaluating five platform types: *advertising*, *cloud*, *industrial*, *product*, and *lean* platforms.

Space constraints prevent me from attending to each in detail, so instead I will only address his argument concerning the latter type. His main criticism of lean platforms such as Uber, Airbnb, and other “sharing economy” start-ups is that their business model is unsustainable and they do not add anything new to the digital economy. Whereas other platform types have amassed significant assets in the form of hardware and other fixed capital (think of Google’s server farms), allowing them to gain a competitive advantage and become profitable, lean platforms operate according to what Srnicsek calls a “hyper-outsourced model” that renders them dependent on third parties – most notably cloud platforms like Amazon for computing and storage capacity, and users for household assets (Airbnb) as well as labor power (Uber) (76). While this assessment is proving to be increasingly accurate, as lean platforms are tentatively starting to invest in physical assets, I think it also neglects a novelty that is quite important. Peer-to-peer markets do not seem to concern Srnicsek much, but they should, because beyond their potential to dominate various industries, lean platforms are fundamentally transforming how people consume and produce goods/services. By allowing them to instantly access and monetize any potential asset, they diffuse market logics and entrepreneurial rationalities – i.e. the spirit of neoliberal capitalism – into new territories. Likewise, these platforms are altering working conditions and labor market norms across the board. While Srnicsek is correct to argue that today’s gig economy is “effectively an acceleration of the long-term tendency towards more precarious employment, particularly after 2008” (79), this does not mean that platform-mediated labor just entails more of the same. For example, temporary-staffing companies such as Randstad are now experimenting with digital platforms to expand and diversify their operations as global labor market intermediaries, increasingly moving toward a data-intensive and zero-liability “workforce-as-a-service” model (Van Doorn 2017). Even though many lean platforms will undoubtedly be forced to fold in an ultra-competitive field with decreasing VC investment, the more successful ones will consolidate and converge just like other types of platforms, meanwhile stimulating profound changes in how people work (think algorithmic management) and generate an income.

Future

This brings me to the book's final chapter, "Great Platform Wars", in which Srnicek lays out what he views as platform capitalism's primary tendencies and challenges in the (near) future. Here his narrow approach to capitalism as essentially revolving around inter-firm – or "intracapitalist" (95) – competition is most pronounced, which results in some perceptive yet ultimately rather limited observations about the shape of what is to come. The tendencies he discusses, which are understood to be driven by platform companies' innate proclivity to monopolize, include the expansion of data extraction and analytics into all spheres of life, the need to safeguard one's strategic position within value ecosystems, the progressive enclosure of these ecosystems into "silos", and the convergence of companies toward similar markets. Subsequently, the identified challenges mainly deal with the obstacles different types of platforms are facing as they attempt to achieve profitability in various industries, despite their competitive advantages. What I found most thought-provoking in this part of the book were Srnicek's brief speculations on new business models which focus on rent-seeking in a "post-advertising environment" where platforms are facilitating a shift from consumer ownership to access. A possible corollary of this shift could be "a massive expansion of micro-payments, as the IoT (Internet of Things) enables every good to be turned into a service that charges by the use: cars, computers, doors, refrigerators, toilets" (124). Whereas most analyses of the platform economy tend to assume the insatiability of the data-driven advertising industry, thereby assuming the durability of the "free" social media model and the partnership between platform companies, advertisers, and data-brokers which sponsors this model, such a constellation cannot be expected to survive indefinitely. And when (not if) the data bubble finally bursts, powerful platform companies like Google and Facebook will need to radically alter their monetization strategies – a necessity that is not lost on these companies, both of which continue to diversify their portfolio.

So is the era of "everything-as-a-service" upon us? Is this hyper-extractive and ultra-contingent model the future of capitalism? How will this impact our lives as well as our livelihoods, and what can we do to resist or deter this future – *if* we'd

be so inclined? In the last few pages Srnicek considers some alternatives, ranging from stricter regulation and platform cooperatives – which he quickly dismisses – to creating collectively-owned platforms whose services are offered as public utilities. But these suggestions are little more than afterthoughts and, besides the question of how platform coops are different from "platforms owned and controlled by the people" (128), it is entirely unclear how one would go about mobilizing "the state's vast resources" to build "postcapitalist platforms" whose control over collected data would nevertheless remain "independent of the surveillance state apparatus" (ibid.). Moreover, this assumes a clear distinction between the imperatives of public institutions, such as (supra)national governments, and private (platform) companies, which has become increasingly untenable since the rise of neoliberal statecraft. One example is the European Union's Digital Single Market strategy, which has embraced the "collaborative economy" as a site for economic growth and aims to facilitate platform-based market innovations across Europe. Platform capitalism is more than a new version of a legacy system based on competition and profitability; it is also an updated political rationality. Platform companies know this very well and are fully invested in shaping its outcomes, having moved from regulatory arbitrage – i.e. taking advantage of legal loopholes – toward regulatory capture and policy entrepreneurship on multiple levels of government.

On a local level, meanwhile, we see the proliferation of self-proclaimed "Sharing Cities" experimenting with public-private partnerships in order to supplement and improve public services via private platforms. Such initiatives can be seen as a response to the growing pressure on municipalities to take on more responsibilities while faced with waning resources, where platforms for peer-to-peer services like meal-sharing are filling gaps in public provisioning while also stimulating local entrepreneurship and social cohesion. This brings me to my final remark with respect to Srnicek's argument: beyond a mode of production capitalism is also, crucially, a mode of *social reproduction*. This means that to understand the future of neoliberal capitalism mediated by platforms we will also have to examine how these technologies reconfigure what Nancy Fraser (2014) has called "Marx's hidden abode": the deeply gendered, classed, and racialized organization of care and maintenance work that has remained invisible in most economic analyses, due to

its largely informal nature, while it sustains labor power and capital accumulation. This would necessitate an expansion of *Platform Capitalism's* parameters, acknowledging the ways in which platforms, as new institutional forms, are pervading our everyday lives while reshaping relations – and further blurring lines – between the market, the state, and civil society. I believe that such a strategic move would allow us to develop more capacious political tactics than have thus far been offered.

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Biography

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Niels van Doorn is Assistant Professor of New Media and Digital Culture at the University of Amsterdam. He is also the Principal Investigator of the ERC-funded research project Platform Labor: Digital Transformations of Work and Livelihood in Post-Welfare Societies (2018-22; [more info](#)). His abiding research interests are guided by two questions: how do people sustain themselves and each other under precarious conditions?; and how does the notion of value come into being at the intersection of political and moral economies? His first book, *Civic Intimacies: Black Queer Improvisations on Citizenship*, is forthcoming from Temple University Press.