Tecno-feudalism or socialism of capital?

Eleutério F. S. Prado[1]

The contours of the hypothesis

This note critically presents one conjecture about the nature of contemporary capitalism found in the book *Techno-féodalisme – Critique de l'économie numérique,* written by Cédric Durand (*La Découverte*, 2020). According to this hypothesis, industrial capitalism, as a progressive mode of production, generating economic growth, has already been replaced by a rentier, slow and predatory capitalism, which must now be known as techno-feudalism.

According to this author, digital technologies did not bring, as promised by the ideology *of Silicon Valley*, a radiant horizon for capitalism; on the contrary, they both stiffened neoliberalism and produced the degradation of this mode of production. They reconfigured social relations in a reactionary way: if before them there still prevailed a decentralized system of production of goods in which competition succeeded, with them and through them there was a centralization and monopolization that created a structure of dependence in the sphere of production, a new form of submission of production units to the owners of a particular mean of production. That form – he says – had been suppressed historically by the competitive capitalism of the 17th, 18th and 19th centuries. Competition has been maintained even when the monopolistic phase of capitalism came at the end of the 19th century.

Behold, now all individual companies, small, medium and large have become dependent on one resource, the digital platforms, which are owned by a privileged fraction of capitalists; moreover, they are maintained and commanded only by a restricted group of workers. Now, these platforms have become universal means of production since they contain the databases and algorithms indispensable for the exercise of any important economic activity and, thus, in general.

If access to them seems free, it only occurs through the implicit or explicit payment of fees that are collected through the access itself and throughout its occasional or systematic use. According to Durand, the advent of this pecuniary gain logic and its predominance in society kills the logic of competition in the sphere of commodity production. This one existed in the old capitalism that was based on the dispute for industrial profit. But now, the platform capitalism introduces the logic of gain by appropriation in relevant economic relations, creating a kind of rentier society,

This form of dependence – according to him – has consequences: "the strategy of the platforms that control these digital territories is a strategy of economic development through predation, through conquest". It is always about collecting more data and acquiring more data sources. There is, therefore, a kind of competition, but it

[1] Retired full professor at FEA/USP. E-mail: eleuter@usp.br. Blog on the internet: https://eleuterioprado.blog.

does not aim to operate more efficiently to produce and sell more goods, but only to accumulate more digital spaces in order to increase the amount of collected income. The result of this process, according to him, kills the progressive character of the capitalist economy.

This logic which now prevails in the world – he said – is similar to that one which dominated in feudalism. In this mode of production, as we know, the nobles competed for space territory in order to raise the surplus that could extract from units of production under their domains. Since these surpluses were consumed sumptuously or for the purpose of war, feudalism did not have a mechanism to encourage increased productivity; on the contrary, it was constituted as a system marked by destructive consumption, by a waste of hard-produced resources.

The proper dynamic capitalism, guided by the profitability of the industrial capital, lasted – he says – from the last third of the eighteenth century until the late 1970s, that is, only two centuries. From that moment onwards, with the advent of "digital economy", the economic system became gradually driven by rent extraction. The productive process as a whole has become dependent on a given factor of production that is monopolized, something that was characteristic of feudalism and that has now been somewhat recovered.

In feudalism, as is known, the monopolized factor was the land; now, it consists of big data, data sources as well as the means that must be used to access them. Behold, a very small group of large corporations, such as Facebook, Amazon, Apple, Netflix, Google etc., now have and control the economic system of the West, if not the world as a whole, because they have and control the great digital platforms. And they are not moved by competition and do not seek industrial profit, but seek to achieve increasing gains in scale based on an undisputed monopoly power.

> *The reference to feudalism"* – says Durand – "denotes a rentier society, *that is, a society not oriented by productivity, but one concerned to the capture of economic value. Currently, there is a prevalence of the logic of obtaining income over the productive logic in companies that are intensive in intangibles, notably in digital platforms. The powerful rise of computerized activities thus called into question the continuity of competitive processes for generating profits*.

The origin of the hypothesis

The hypothesis that we are now facing a kind of return from feudalism was raised, interestingly, by reading a journalistic article written by Karl Marx, on June 24, 1856, in the *New York Tribune.* Here, the author critically examines balance sheets, as well as the statutes of the corporation *Crédit Mobilier,* which emerged in France at the time of the Second Empire, leaded by Napoleon III. The accounting piece of December 1855 showed that this company had obtained an annual profit of 35%. It had managed to obtain an extraordinary profitability even for that time: "*not so bad"*, as Marx himself points out.

And this corporation was characterized by having an explicit monopoly purpose: intended to work like a single bank and a trust with all the bonds and stocks of large companies. In others words, it wanted to control the entire finance industry. Marx, with his well-known corrosive irony, considered from the outset that it was a project of "imperial socialism", which, unlike the hated "revolutionary socialism", would certainly be loved by the bourgeoisie in general.

Furthermore, in order to designate this shameless monopoly project, Marx also uses, ironically, a denomination created by Charles Fourier: “it is an immoral merit of Fourier to have predicted this form of modern industry, under the name of *industrial feudalism*”. Now, this form was not created by the project protagonists: "certainly" – says the author of *Capital* – "were not Mrs. Isaac, Péreire, Morny and Bonaparte that invented this kind of enterprise". But, what did they create? Here's what it says:

> *There were also, before its time, banks that gave credit to industrial societies for shares. What they invented was a monopoly bank that substitute what was previously multiforme and was divided among several lenders’ private money. The guiding principle consists in the creation of a vast number of industrial companies, not with view to propel productive investments, but simply to obtain gains through the sale of the actions. The new idea they had was to make industrial feudalism tributary to stock speculation.*

It seems evident that the Durand hypothesis is born from a reading of this section. It introduces the idea that the dominance of unproductive use of capital leads to stagnation. It is necessary here, however, to overcome this appearance.

Marx does not endorse there the use of the term "feudalism" as a theoretical category, but only he uses it as rhetoric and critical recourse to refer to a process of monopolization. This is obtained through a business engineering that created a financial monopoly. Unfortunately, however, Durand took it as a Marxian category and uses it to characterize a transformation of capitalism that, supposedly, comes in history in order to suppress it as such. Well, if it's not about feudalism, what is it about? Is it an endogenous and tendential development of capitalism that Marx himself had foreseen in *Capital?* Or, if this is not the case, would he have provided the theoretical categories that would make it possible to apprehend it rigorously?

Capital as commodity

Initial question: in the case special examined by Marx, as well as in the current stage of capitalism that was descript the by Durand, there is suppression of the capital social relation, ie, the relationship of capital to labor and, in particular, to wage labor? If not, how does this relationship differ from the relationship of production that prevailed in feudalism?

It should be noted in the first place that the relationship of dependence of those who work to the owners of the means of production is not exclusive to feudalism. It is true, in this last mode of production, this relationship is characterized by a certain permanence and indissolubility. As is known, the dependence of social bonding in feudalism cannot be cut especially by the subordinated party. Under capitalism, this dependence becomes voluntary and temporary. Therefore, the relation between workers and companies takes the form of a contract between individuals and companies. And the contract between them can be broken at any time. It is, therefore, a dependency that do not appears as such – it seems a kind of dependency that appear as its opposite, as a non-dependency.

But even if so, it is not a complete independence, but only formal one. Therefore, remains there a mutual, necessary and even forcible dependence among workers in relation to capital social, capital as a whole. Since workers have no means of production, they have to sell their labor power to survive, in dire need, for some capitalist, for a member of the bourgeoisie that owns the means of production. And capitalists cannot subsist as such if they cannot formally subordinate numerous labor forces.

Marx, as we know, to distinguish feudalism from capitalism uses the difference between direct social and indirect social relations, respectively. In the first case, the social relations occur by means of the commodities themselves, that is, they are "reified relations between persons and social relations between things." In the second case, there are relationships that imply direct dependence, not mediated by social things that have acquired the character of fetishes.[2] This is how this author presents this distinction in *Capital,* based on the metaphor of the independent individual contained in the famous novel by Daniel Defoe.

> *Let us move from the luminous island of Robinson to the dark European Middle Ages. Instead of the independent man, we find here all dependents – feudal servants and lords, vassals and overlords, laypeople and clergy. Personal dependence characterizes both the social conditions of material production and the spheres of life structured around it. But, precisely because relationships of personal dependence constitute the given social basis, jobs and products do not need to acquire fantastic form, different from their reality. They enter the social gear as services and payments in kind. The natural form of work, its particularity, and not, as in the basis of the production of goods, its generality, is here its directly social form.*

Durand, however, seems to be right about a historical change in the capitalist mode of production: with the coming of the digital revolution, with the computerization of work and communication processes, a transformation of this system has occurred, since it made possible the unbreakable monopolization of a special factor of production. Informational and cybernetic platforms start to mediate a very significant part of social interactions even beyond directly productive activities.

At this point of the argumentation, it is imperative to emphasize a crucial point: in capitalism platform, social relations continue taking the form of commodities relations. Social interaction remains a phenomenal manifestation of reified social relations. Companies make a profit because they own the monopoly ownership of these platforms; however, they do because they are also suppliers of commodities; they continue, therefore, like all capitalist companies in general, to sell commodities. But now it is necessary examine how this sales operation occurs: what is sold, the thing that supports the commodity form or the useful service that it can provide?

As is known, Marx distinguished two basic commodity forms as elementary form of wealth in the capitalistic mode of production. The first one can be seen in all market used by common people: there, a commodity, M or D, is exchanged by another commodity, D or M. By the way, they occur in the circulation circuit: M – D … D – M. The commodity M in this case is a form of industrial capital and pertain to the production

[2] Perhaps, these direct relations can be called "social relations by rules", noting that these rules put a social hierarchy and that they tend to be socially sacralized, deified.

circuit: D – M ...P... M – D’. The first form is exposed mainly from chapter I to chapter IV of Book I, but it appears in *Capital* as a whole.

The second one, capital itself (D) is a commodity in the circuit of money capital: D - D'. In the first circuit, M is the form of industrial capital that – if it is realized – necessarily goes to be form D, that is, money capital. And, for that very reason, it contains a possibility that appears only afterwards in the presentation of *O capital.* The second commodity form is thus exposed mainly in Chapter XXI of Book III, called *The Interest-bearing capital.* There, Marx shows that capital as capital becomes a *sui generis* commodity. The passage is well known:

> *Money – considered here as an autonomous expression of a sum of value, whether it exists in fact as money or as commodity – can, on the basis of capitalist production, be transformed into capital. And, as a result of this transformation, to move from a given value to a value that values itself, that multiplies. It produces profit, that is, it enables the capitalist to extract from the workers a certain amount of unpaid labor, more-product and more-value – and to appropriate it. Thus, in addition to the use value it has as money, it acquires an additional use value, namely, that of functioning as capital. Its use value, once transformed into capital, consists here precisely of the profit it produces. In this condition of possible capital, a means of production for the production of profit, it becomes a commodity, but a sui generis commodity. Or, what is the same, capital as capital becomes a commodity.*

It is necessary in this moment examine the form D – D’, which is, precisely, the form of interest-bearing capital. Here, the metamorphosis of capital into common commodity does not occur as it necessarily occurs in the industrial capital circuit, that is, D – M, first, and then the inversion of M – D’ takes place. Capital, to put it another way, does not take the form of productive capital that commands the process of producing value and plus-value.

The transformation of D in D´ depends only on a transfer of value from one private owner A to another B, which can only occur under certain forms and legal safeguards. They guarantee the transformation of D into D + ΔD; behold, a certain amount of money, D, goes from A to B and increases back from B to A, like D + ΔD, in that transaction. The loan form, therefore, is peculiar to capital as a commodity. And it yields a kind of "rent". But the income from renting capital is interest – not something similar to land rent. Interest is the payment of the rent due for the use of capital as a commodity.

It should be noted, now, that the interest-bearing capital does not only materialize in the loan of money. It materializes whenever there is a capital loan that is either current or fixed – noting that fixed capital is an asset whose social form is always “glued” to a natural support. Furthermore, this support has a purely material existence, whether this existence is tangible and/or intangible, it does not matter. An ordinary machine, for example, is tangible as iron, but intangible as technology. In fact, for both, a traditional engine or a computing machine, is tangible and intangible at the same time. And here, to leave no doubt, it is necessary to quote Marx himself in full in the excerpt specifically speaking about fixed capital:

> *Money can be borrowed (...) as fixed capital, for example, when it is repaid in the form of life annuity, so that with interest always reflects a portion of the capital. [However], certain goods, by the nature of their use value, can only be lent as fixed capital, such as houses, ships, machines, etc. But all borrowed capital, in whatever form and whatever the repayment may be due to the nature of its use value, is always just a particular form of monetary capital.*

Now, this moment of the dialectical presentation of the concept of capital, contained in *O capital,* cannot disappear from Marxism without leaving any trace as it seems to happen in many works that are currently circulating in the field of criticism of political economy. For, as a rigorous theoretical contribution, it has a strong and unavoidable consequence for the understanding of capitalism based on informational platforms.

Criticism of the Durand Hypothesis

As was seen, Durand makes reference to feudalism to characterize the recent transformation of capitalism because he sees the emergence of a regression in the history of capitalism: if profitability was the dynamic engine of capitalism before, now what drives it, much more slowly, in fact, would be a rentier society. And he explicitly supports this thesis, as shown in a quote from a short excerpt from his own book: "*The reference to feudalism ...".*

So, why people use to think about contemporary capitalism with notions like “rentier society” and “techno-feudalism”? This appears in the Keynesian field, but also in the Marxist field. To point out a gain external to production as a regressive element, something that occur in capitalism, but that does not belong to it as such, seems irresistible. And this trend, as is well known, appeared in the work of authors like Proudhon and Keynes. If these authors considered that this type of gain could and should be suppressed in some way in the course of development. Durand, differently, now sees it as insurmountable because it came from a technological development.

It is an error. Capitalism is not regressing, but progressing – and according to its immanent laws – towards its final decline. And this, as we know today, may not be auspicious, but catastrophic. All smart people – even though a lot of them still believe in technology – know very well that this is likely to happen in the 21st century.

How, then, the transformations describe by Durand can be put in a correct and rigorous theoretical perspective, one based on the presentation logic of *Capital?*

It is quite clear that computer programs, the big data in general and thus the service of digital platforms, even if they are still commodities, cannot be sold as such. Computing machines in general – desktop, laptop, tablets etc. – are sold in the usual way. However, the digital services that are generally needed to properly employ them in the sphere of production and even outside it cannot be marketed in the same way. The reproduction costs are practically nil in this case. Its use must be licensed for a specified period; they are sold in the form of capital as a commodity; therefore, they have to be lent, formally or informally.

As a result, this is not a variant of the “land rent”, but of interest. The return of capital as a commodity is interest. By the way, it is quite evident that this form of capital founded in digital platforms is not new; on the contrary, it has existed since the dawn of capitalism. The potential for monopolization was already present in the kinds of capital mentioned by Marx.

What's new with such platforms is that, because of the network economies they provide, monopolization happens and must happen inexorably. As one uses this feature others will have to use them, thus producing up a technological lock-in. That is why they allow extracting extraordinary “interest”, in a way that is like what is traditionally called loan sharking. Well, one and the other exploit the client's situational weakness. In addition, they suppress the freedom of choice of the consumer, which is so much cherished by the liberal and neoliberal ideologues of all time.

Because of all this, the transformation brought about by the third industrial revolution can be associated with the so-called financialization of social relations that has expanded enormously in contemporary capitalism. Although, it is important to mention, this is not something entirely new either. It thus competes with other trends that are now manifesting itself there, such as the great structural indebtedness of companies, state institutions and families and, in particular, with the diffusion and predominance of share capital. And this tendency towards the socialization of capital, as we know, is inherent to capitalism itself and is registered as such in chapter XXVII of Book III of *Capital:*

> *Capital, which itself rests on a social mode of production and presupposes a concentration of means of production and labor forces, here receives directly the form of social capital (capital of directly associated individuals) as opposed to private capital, and its companies present themselves as social companies as opposed to private companies. It is the overcoming of capital as private property, within the limits of the capitalist mode of production itself.*

Given the above, doing justice to the old Marx’s spirit ironic, instead of techno-feudalism, would be due to speak of "socialism of capital". Instead of a rentier society, in consequence, one should speak of "financial society". In any case, a historic moment prevails actually. According to Marx, at the moment when " *this result of the maximum development of capitalist production* occurs *is a necessary crossing point for the transformation of capital into the property of producers, however, no longer as the private property of individual producers, but the property of associated producers, as directly social property”*. In other words, the question is not "capitalism versus feudalism" but " capitalism versus post-capitalism.