

## **Virtual Capital**

**THE PHRASE 'IMMATERIAL PRODUCTION'** has been all the rage in some circles for six or seven years, maybe even longer. It stands for one of those concepts like "fordism" that seeks to encapsulate something general about our society with what is in fact a singular, and quite specific phenomenon. It crops up in post-Marxist, neo-Marxist, and even in Marxist-Marxist discussions, as those of a theoretical bent strive to grasp the nature of contemporary capitalist relations. Everybody knows of course that all the goods pouring out of China, and elsewhere are undoubtedly made of hard, definitely physical stuff, stacked on pallets in warehouses awaiting shipment; it is stuff made in factories by real workers, working really hard, at real jobs. The industrial working class is growing in leaps and bounds everywhere wages and taxes are low enough to attract investors.

Despite this hard reality we continue to be haunted by virtual reality; we are tantalised by the manner in which it appears to be changing everything and upsetting all our assumptions. However, there is nothing new about the virtual in drama, literature, and cinema, evoking imaginary worlds, and fictional persons, who tangle with our thoughts and emotions. However, the codification of instructions has carried the virtual into more and more spheres of production.

The effect has been to make it possible increasingly to separate the delivery of services from the manufacture of physical goods, vast geographical spaces have opened up between one sphere of activity and another, disconnecting what was formerly more closely associated, driving the real presence and awareness of manufacturing to the edges of our consciousness; most of us who live in relatively high wage economies know very little about making things

and we think even less about it. In wealthier countries manufacturing, with the possible exception of food processing, has by and large retreated to making only high-end products.

The other effect of the exponential growth of digitalisation has been extraordinary gains in the productivity of labour; there has been a growth in capacity at a rate never witnessed before. These efficiencies are, of course, being experienced across all sectors from those actually making things to those designing things, organizing the production of things, and creating and delivering services associated with the acquisition and use of things. Robots abound, automated systems are everywhere, and are spreading, as far and as fast as falling prices will allow.

Consequently, each individual worker is becoming increasingly efficient; as more and more is done by automated machines and systems, as new more robust and flexible materials and products are developed, each individual worker is capable of producing more goods and more services. All kinds of Malthusian limits are postulated, there is no shortage of dark warnings, but so far, there is no end in sight to this spectacular growth that appears to be capable of withstanding financial disorder, recession, and war.

Despite the conjectures of theorists, the material and the immaterial are indistinguishable one from another. The virtual presence of the virtual text on this screen is brought to you by very hard hardware and the virtual information is stored in great banks of whirring servers in a vast warehouse somewhere – I always imagine it being in Nevada or Arizona, in a desert littered with Joshua trees, but it could just as easily be stored in a featureless ‘design and build’ shed in a suburb of Milwaukee or Swindon. Wherever it is, the virtual and the material are just as intimately interfused as they ever were.

The virtual hasn’t become any less material and the material hasn’t become any less virtual. Google discovered this last week in a courtroom in Rome when Judge Oscar Magi sentenced the company’s

executives in absentia for violation of privacy. Google's bosses were deemed responsible for a video showing a group of children abusing a disabled boy – the Italian prosecutors argued that Google was a content provider like a publisher, and not a service provider like a telephone company – therefore Google is, they insist, responsible for everything posted on its sites.

Prosecutor Alfredo Robledo said: “This is about finding a balance between free enterprise and the protection of human dignity.” This might be plausible if Italy was not being run by a coalition of Roman Catholic xenophobes and neo-fascists led by an old roué who owns a large chunk of the press and most of the country's television broadcasters; Italy already has one of the lowest rates of Internet use in Europe and Berlusconi means to keep it that way. Italian legislators are planning to make bloggers criminally responsible for anonymous comments posted on their sites. The oligarchy in Rome intends to impose unlimited liability upon anybody hosting content.

In China Google has come to grief in its efforts at compromise with the dictatorship's apparatus, only to find itself under attack from the very same quarter. Now, in Europe it is facing attack from what is, on the face of it, a liberal democracy intent simply upon protecting privacy and attempting to preserve “human dignity”. Simultaneously, its own practices of hiring people to intervene in its own automated processes in order to second-guess the ranking decisions of its logarithms and crawling spiders is coming under attack. The European Commission is engaged in an anti-trust review to determine whether Google's search rankings are as rational and as fair as the company claims.

What is clear in all these troubles is that the jurisdiction of states, their legal and political structures, is a matter of central importance in shaping the virtual networks we now all live by. There is nothing immaterial about the trillions of dollars involved, despite the fact that they are merely numbers stored in

binary code somewhere in the Mojave Desert. There is nothing immaterial about the damage done to a company trading on the Internet if its rankings are manipulated in order to push them down to page two or three of a Google search result. There is nothing immaterial about monopolies, the restraint of trade, and the profits made.

This is why, of course, the Internet could not have been invented or developed in China, in Russia, or in Italy. The invention of the Internet required the cooperation of the political, the military, and the academic institutions of a thoroughgoing democratic state. It required the deregulation of telephone companies in order to allow insurance brokers and banks to connect their mainframes to the telephone lines. It required research and information scientists to have the freedom to experiment and innovate for twenty years before it could, more or less spontaneously, spill over into the broad public realm as an all-purpose platform for education, discussion, advertising, entertainment, pornography, identity theft, banking and retailing.

In order for all this to happen there had to be a large democratic state open to the military, scientific, and economic benefits on offer. This, of course, was the United States of America and it has used its enormous clout to regulate the virtual world in a manner that has kept it as free as possible from the oligarchies and dictatorships, which deface much of the planet.

However, Google and Microsoft, and a clutch of other companies, are indeed monopolies, and Hilary Clinton and the United States of America had better make sure that they are not allowed to fix the market, or to ride roughshod over their competitors. The lesson of the current financial crisis is that that the state must never allow capitalist enterprises the freedom to wreck what they themselves have created. Enterprising capitalists need to be kept on a very tight rein or powerful oligarchic networks will arise, which will inevitably have the effect of strengthening the neo-fascists in Rome and the dictatorship in Beijing.