

# Information Society: A Second “Great Transformation”?

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## 1. Introduction: Goods and Services, Use-Value and Exchange-Value

To understand from a perspective of Political Economy what is going on in the so-called information society we should identify and understand the new kind of goods and services that are produced, distributed and consumed via digital information and communication technologies (DICT). To perform this task we go back to the basics: Let us start with the notion of “useful things”. Useful things have many attributes, and we can therefore use them in many ways. The usefulness of a thing makes it a use-value, because by its intrinsic characteristics it can satisfy some human need, either real or imaginary, maybe positive or negative for anybody. Although elementary, the concept of a useful thing is not trivial, because the notion of usefulness is rather tricky. This notion in fact reflects the complex cobweb of the society in question. What is useful in one society can become useless in another one or vice versa, therefore even a use-value does not represent an invariant over time. However, there is more to be told: Already Aristotle stated that beyond the use-value of an object there is another kind of value, exchange-value, which marks the definition of a commodity up to now:

“The one (i.e. use-value P.F.) is peculiar to the object as such, the other (i.e. exchange-value P.F.) is not, as a sandal which may be worn, and is also exchangeable. Both are uses of the sandal, for even he who exchanges the sandal for the money or food he is in want of, makes use of the sandal as a sandal. But not in its natural way. For it has not been made for the sake of being exchanged. ”

More than 2000 years later, in 1776, Adam Smith (1776) repeated Aristotle’s distinction, this time on the level of the value of an object:

“The word value, it is to be observed, has two different meanings, and sometimes expresses the utility of some particular object, and sometimes the power of purchasing

other goods which the possession of that object conveys. The one may be called ‘value in use’; the other, ‘value in exchange.’”

Marx used this source in the first volume of “Das Kapital”, which begins with the following famous paragraph:

“The wealth of those societies in which the capitalist mode of production prevails, presents itself as ‘an immense accumulation of commodities,’ its unit being a single commodity. Our investigation must therefore begin with the analysis of a commodity.”

The tacit assumption behind this definition of commodity is the assumption of materiality (*Stofflichkeit*). The commodity is reified or codified in a useful thing, an object. This useful thing is tangible; it has a certain lifetime, is independent of the producer or consumer, and can be stored and resold. Examples are apples or computers.

In the contemporary market, we find other entities: There are also services. Within the framework of economic circulation, services are a rather strange animal. Although they represent use-values, we consume them at the time they are produced. They do not have any continuous and permanent existence inside or outside the market; they cannot be stored, or accumulated. Let us take express mail as an example: You will fail if you try to resell the service of the delivery of a letter. Alternatively, try to bring a haircut you have received at a coiffeur to the market again. Of course, you will not find any customer. Nevertheless, in market economies, one can sell services once, and they are able to attract financial remuneration, but it is not possible to resell them, and you cannot invest them either. And strangely enough: Although services have become more and more important in the economy of our days (they account for more than two thirds in developed countries), it is still true that they do not directly contribute as such to economic growth. The growth of the service industries themselves has to rely on material products, on commodities in the full meaning of the definition of classical political economists. Marx called these material products “surplus product” which is necessary for economic growth. In terms of labor time, he called it “surplus labour”. Surplus labor expressed in money terms is the basis for profits. In an economy in stationary equilibrium, this connection means: No growth—no profits. This equation works in both directions.

If we assume (1) an economy as closed (without contact to the outside world, without exports or imports), if we (2) do not allow the economy to deplete resources (our economy should only be based on flows, not on stocks), and if (3) the economy would completely rely on services, such an economy

could hardly survive for more than a few days. Because of the fundamental property of people, being in need of material inputs as basic ingredients of their consumption, but also as the expansion and replacement of production machinery is based on material products, people in such an economy will die of hunger earlier or later. Moreover, if they survive by miracle, they will have to face a shrinking economy up to the moment where the production facilities are completely worn out.

However, this restriction in their direct contribution to economic growth does not hinder services to provide us with important indirect effects: More educated people—education is another kind of service—are possibly more productive in their jobs than people who do not take advantage of education and training. The output of a service could also be a new technological principle of production, but it needs new machines to incorporate this invention.

Services are also able to enrich the range of consumption, and therefore the well-being of people. To express this case in the language of political economy: Services represent pure use-values. People may consume them, and by consuming them the characteristics and properties of people at work or at leisure time could change.

To summarize, the essential difference between material products and services is not their ability to be traded at markets. One can buy and sell both kinds of use-values, and one can associate a price to both of them. Their basic difference is on the one hand, the ability of material products to contribute to the surplus product, to the surplus value and to the total amount of possible profits on the level of the aggregate economy, while on the other hand services are in principle not able to do so. The latter allow the vendor to earn profits, but only branches of material production provide the basis for them. If there would not be any service production in the economy, the rates of profit in the branches of material production would be higher. In an economy with services, branches of material production “share” the possible profit with the service-producing capitalists. The redistribution of profits from commodity production to services is done by a change in relative prices.

## 2. Commercialization of Human Communication

After this excursion into the basics of political economics, let us come back to the contemporary information society and look for new developments and new goods and services associated with it. At the beginning of the 20th century, the German sociologists Ferdinand Tönnies and Max Weber have identified two different ideal characteristics (“Idealtypen”) of relations between human beings. They called them community (“Gemeinschaft”) and society (“Gesellschaft”). In communities, emotions and/or traditions create the links of social relationship (like in a tribe, the family or a military unit based on camaraderie). Communication is direct, face-to-face. With the emergence of mass markets where you exchange goods anonymously, and with the nation state based on impersonal law another type of human relations developed: Society. There, communication is related to “rationally motivated compromises” of human interests. It is indirect and no longer face-to-face.

Over time, more and more technical innovations assisted the indirect communication process, starting from Chappe’s simple mechanic-optical telegraph, the wired telephone, one-way communication via radio stations to the first heavy wireless communication devices of the sixties and seventies of the last century.

Nowadays, in the age of globalization, Digital Information and Communication Technologies provide the means of chatting worldwide, bridging different locations in space. Direct face-to-face communication is extended to voice exchange, mediated by electronic devices. Commercialized (mobile) communication via cell phones enhances traditional communication of people in the family, in the settlements and at work. However, this new kind of communication comes at a certain price. Even the seemingly free services of Voice over IP cannot be used if one does not have the necessary technical devices at hand, like a PC, a laptop, access to the Internet, and the necessary skills.

From the point of view of a sociologist, one could say that technologically mediated communication creates the possibility of new communities, this time no longer restricted to certain local spaces but on a global scale. For the first time in history people have the possibility selectively creating new topologies between them based on shared or mutually related interests. The distance between them shrinks to the need for dialing a cell phone number. Nevertheless, at the same time the market has become the impersonal and commercial link mediating personal communication between individuals or small groups of people.

Economically speaking, the former type of direct, face-to-face communication has been transformed into a service transferring speech from one location to the other in very short time, but one usually has to pay for it—speech is now commercialized within a global market—thus limiting access to those who can afford it.

### **3. Commodification of Cultural Activities**

However, DICT can do more than bridging distant locations via telephony and transforming human speech from a human activity into a commercial service. By an interesting interaction of technology and law, it can create information goods, which show all the properties of commodities, like apples or PCs. We call this process the commodification of essential parts of human culture.

#### ***The Role of Technology***

The transformation of a volatile service/activity into a commodity can be described as the result of a two-step procedure, (1) application of technology (reification and reanimation), and (2) a legal procedure (Intellectual property rights and copyrights).

#### ***Reification***

In a first step, a special group of services, i.e. all human activities that can be technically described within the framework of the binary system (or any other system of numbers), can be reified with the help of digital media and digital computers. DICT make it possible to codify flows of information into a pattern of energy distribution that can be stored in various material devices, even at falling costs. Human activities (flows) are stored as stocks of information as if they were frozen into energy patterns of a material carrier.

#### ***Reanimation***

Pop or classical concerts, theatre performances, actors posing for a movie, lectures, storytellers, but also the situation you have encountered in your holidays, the first steps of your child, are subject to digital reification on a

carrier into stocks of information. However, in a second step the carrier can be used to reanimate the activities of the past. They—like in a time machine—can be moved into presence. The stocks are unfrozen and transformed into flows again, at a later point in time. You can enjoy a concert or a movie many years after its first performance.

### ***Copying***

Nevertheless, reification and reanimation are only parts of the potential of technology. While technology prepared the ground for commodification by creating the physical/energetic basis of a commodity, which therefore can be stored, re-sold and accumulated, at the same time it undermines the possibility of commodification by the threat that commodities can be copied and transferred via the Internet nearly without costs—an ideal pre-condition for a future society where the distribution of information and knowledge of all kinds is possible nearly for free and accessible to everybody.

However, under capitalistic conditions, there exists a particular interest not to choose such a framework. Private enterprises do not like that (in their language) “free riders” will show up. Free riders could copy the content and could resell it at a lower price or—in the extreme—could give it away free of charge. Anyway, the market would be undermined and could no longer be used for making proper profits. The process of commodification comes under the threat of being reverted. While the group of potential users of software and digital content will favor free riding, the management of the involved companies would prefer a situation that will enable them to sell the output at a proper price.

### ***The Role of Law***

To assure this, lawyers have invented particular regulation mechanisms: copyrights, patents, licenses, or generally speaking, Intellectual Property Rights. Enterprises called the Law for support. Copyright laws provide people who would like to do copies with the threat of a fine.

To assure the market of reified services, the European Union has issued two European Directives on copyright in the information society. The “Directive 2001/29/EG on the harmonisation of certain aspects of copyright and related rights in the information society” of 22 May 2001 contains several regulations on net security, while the “Directive 2004/48/EC of the European Parliament and of the Council on measures and procedures to ensure the enforcement of intellectual property rights” of 29 April 2004 intends to

give a copyright owner proper instruments for the realization of his rights. “Member States shall bring into force the laws, regulations and administrative provisions necessary to comply with this Directive by 29 April 2006” (Directive 2004/48/EC, Art. 20, Par 1).

Even if laws cannot really make copying (technically) impossible, they are sufficient to keep up the market for reified services. Under such preconditions, the commodification process is completed and will lead to the intended result: New areas of human activities can be marketed; one can open up new sources of exchange-value, and—most important—of new sources of profit.

In fact, big and smaller business exploit two areas of commodification at once: There is a market for carriers of information, representing reified services, and a market for devices to bring them to life again, to reanimate and replay the past activities. In particular, this is true for all cultural activities where flows of information are involved, like talking, writing, developing software, doing research, inventing, singing, dancing, painting, designing, playing music, creating movies. The market has conquered everything. It is subject to further investigation to identify the positive and negative effects of commodification and commercialization, for whom they are useful and for whom they may be detrimental, and if it is possible to assess the net result.

One should note that the process of reifying human activities is not completely new. It started with the human ability of painting and writing, with the invention of the printing press, photography and film fixed on paper or celluloid, and continued with tapes and records. Recently, the potential for storing information has grown once more via Compact (CD) and Digital Video Disks (DVD). However, the size of the market is unprecedented larger than ever, and new synergies are exploited (convergence of technologies, new emergent markets).

#### **4. Commercialization of Labor in the 19th Century**

The above-described transformation of human activities into marketable goods and services seems to be on the same level of importance for society like the creation of the labor market. Karl Polanyi scholarly described this contradictory development in his famous book “The Great Transformation”. He showed eloquently that after the active transformation of soil and money into commodities the commercialization of work opened the doors for a capitalist society. After half a century of protective measures of peasant

work and the introduction of a kind of minimum wage by the Speenhamland System, a “free” labor market was established and allowed the capitalistic system to take off in a qualitatively new way. The Speenhamland System was a method of giving relief to the poor, based on the price of bread and the number of children a man had. It further complicated the 1601 Elizabethan Poor Law because it allowed the able-bodied—those who were able to work—to draw on the poor rates. It was set up in the Berkshire village of Speen by local magistrates who held a meeting at the *Pelican Inn* on 6 May 1795. They felt that ‘*the present state of the poor law requires further assistance than has generally been given them*’. A series of bad harvests had put wheat in short supply and consequently the price of bread had risen sharply. (<http://www.dialspace.dial.pipex.com/town/terrace/adw03/peel/poorlaw/speen.htm>).

While in the beginning the laborers and the feudal lords were in favor of the Speenhamland Law (it increased wages for the workers and it saved cost for the owners of land), it became evident that the Law demoralized the laborers and “detering them from honest work, and making the very concept of an independent working man an incongruity” (Polanyi 1957, 224). The quality of life of the workers was that low that the Members of Parliament spoke about them as a special miserable race. Before the middle of the 19th century, the system became exhausted. “By the Poor Law Amendment of 1834 the social stratification of the country was altered, and some of the basic facts of English life were reinterpreted along radically new lines. The New Poor Law abolished the general category of *the poor*, the ‘*honest poor*’, or ‘*laboring poor*’...The former *poor* were now divided into physically independent workers who earned their living by laboring for wages. This created an entirely new category of the poor, the unemployed, who made their appearance on the social scene. While the pauper, for the sake of humanity, should be relieved, the unemployed, for the sake of industry, should *not* be relieved...That this meant penalizing the innocent was recognized...The perversion of cruelty consisted precisely in emancipating the laborer for the avowed purpose of making the threat of destruction through hunger effective” (Polanyi 1957, op.cit.). This structure became the prototype for the liberal economic policies applied later on in many parts of the world. The capitalist *economy* was transformed into capitalist *society*.



## 5. Final Remark

Here is not the room to discuss the possible effects of commercialization and commodification of cultural activities, but there is a wealth of literature directly or indirectly related to them. Good examples on possible effects can be found in Lawrence Lessig's books (Lessig 1999; 2001; 2004; 2006). There are also many publications on alternatives to restrictive Intellectual Property Rights (e.g. Open Source Jahrbuch 2004; 2005; 2006; 2007). It is interesting to observe that contemporary information society creates new information goods and services that are no longer subject to shortage. On the contrary, in principle cultural activities and knowledge could be made available in plentiful supply. However, in real life people cannot access this abundance fully: At the same time, society created artificial shortage as if the economy would still be restricted to the realm of material production.

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