

The Information Nexus

Capitalism is central to our understanding of contemporary economic and political life, and yet what does it really mean? If, as has now been shown to be the case, capital and property rights existed in pre-modern and pre-capitalist societies, what is left of our understanding of capitalism? Steven G. Marks's provocative new book calls into question everything we thought we knew about capitalism, from the word's very origins and development to the drivers of Western economic growth. Ranging from the Middle Ages to the present, *The Information Nexus* reveals that the truly distinctive feature of capitalism is business's drive to acquire and analyze information, supported by governments that allow unfettered access to public data. This new interpretation of capitalism helps to explain the rise of the West, puts our current Information Age in historical perspective, and provides a benchmark for the comparative assessment of economic systems in today's globalized environment.

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The Information Nexus

*Global Capitalism from the Renaissance
to the Present*

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To my mother and in memory of my father

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Preface

Adam Smith never mentioned the word “capitalism.”¹ Karl Marx used it arguably five times.² The first American president to invoke it was Harry Truman.³ One of the most resonant terms of our modern vocabulary is thus a relative neologism. Awareness that the advent of the word occurred so recently compels us to alter our assumptions about the concept.

What Henry George wrote in 1879 about the word “capital” is also true of capitalism: “Most people understand well enough what capital is until they begin to define it.”⁴ The term is ubiquitous, but unlike similar grand historical concepts, such as feudalism or totalitarianism, whose validity historians have disputed, capitalism is assumed, by proponents and opponents alike, to be a given, like the air we breathe.⁵

The purpose of this book is to subject capitalism to a new critical inquiry. In doing so, I will question the myths pertaining to capitalism

¹ Adam Smith writes of “commercial society,” in which “every man . . . lives by exchanging” (*Wealth of Nations*, books I–III, ed. Andrew Skinner [London: Penguin, 1999], 126). According to Henry C. Clark, the eighteenth-century French political economists spoke of the “spirit of commerce,” which he calls a “synechdoche for the ‘public sphere.’” See his book *Compass of Society: Commerce and Absolutism in Old Regime France* (Lanham: Lexington Books, 2007), respective quotes on xvii and 6. In Germany in the nineteenth century, the terms that predated “capitalism” were the “Industry System” or the “Factory System”: see Roman Köster, “Coerced Misunderstandings? The Transfer of the Concept of Capitalism from Germany to the United States,” unpublished paper presented at conference on “Power and the History of Capitalism,” The New School, New York City (April 16, 2011), with thanks to the author for sharing it with me.

² See the German texts of Marx’s writings on the website “Stimmen der proletarischen Revolution,” online at <http://mlwerke.de/me/default.htm>, keyword search “Kapitalismus” – bearing in mind that Marx’s authorship of some of the relevant citations is in question.

³ For the presidents, see John T. Woolley and Gerhard Peters, *American Presidency Project*, online at www.presidency.ucsb.edu/index.php, keyword search “capitalism.” Herbert Hoover uttered the word “capitalism” once, in 1930, but only to dismiss it as a socialist term of abuse: see www.presidency.ucsb.edu/ws/?pid=22379.

⁴ Henry George, *Progress and Poverty* (NY: D. Appleton and Co., 1886 [1879]), 32.

⁵ Stephen Morillo, “A ‘Feudal Mutation’? Conceptual Tools and Historical Patterns in World History,” *Journal of World History* (Dec. 2003), 531–550; Susan Reynolds, *Fiefs and Vassals: The Medieval Evidence Reinterpreted* (Oxford: Oxford University Press, 1994); and Abbott Gleason, *Totalitarianism* (NY: Oxford University Press, 1995).

on all sides of the political spectrum and propose an alternative to traditional definitions of the concept. *The Information Nexus* demonstrates that the money-based economy is not unique to capitalism – and the same holds true for many of its other supposed attributes, from commodification to wage labor. Capital is essential for capitalism, but so was it for all pre-capitalist and non-capitalist societies. In short, I do not associate capitalism with the “cash nexus,” as the Victorians first did.⁶ Rather, I locate its distinctiveness in business’ quest for information and usable knowledge.⁷ What is unique about capitalism is not that it is capital-intensive, but that it is information-intensive.

The information nexus is synonymous with capitalism. A nexus is a series of connections linking things. What this book explores is the dense web of information seeking and generating that resulted from having ready access to a complex of ever-changing information, communications, and transportation technologies. The information nexus links people in capitalist economies and expedites all investment and spending decisions by firms and individuals. It has historically thrived under political systems that value freedom of expression – not because democratic political systems have refrained from economic intervention as the mythology of *laissez-faire* suggests, but because these governments have tolerated the free flow of information in their societies and permitted unfettered access to commercial and other forms of socially useful knowledge. This creates the optimal setting in which entrepreneurs, managers, employees, and consumers can flourish in a marketplace built and refereed by the state.⁸

⁶ The conservative Scottish social critic Thomas Carlyle, in *Chartism* (London: James Fraser, 1840), 58, wrote that “*Cash Payment* had not then grown to be the universal sole nexus of man to man.” But the first to use the exact phrase “cash nexus” was Elizabeth Gaskell in her 1855 novel *North and South* (Radford: Wilder, 2008), 348: “My only wish is to have the opportunity of cultivating some intercourse with the hands beyond the mere ‘cash nexus.’” Most English translations of Karl Marx and Friedrich Engels’s *Communist Manifesto* apply the phrase too, but there is nothing precisely like it in the original German: see sentence before page marker 465 in the online text at mlwerke.de/me/me04/me04_459.htm. For Victorian Britons’ aversion to the cash nexus, see Raymond Williams, *Culture and Society, 1780–1950* (NY: Columbia University Press, 1983), 63, 76, 83, 92, 140, 240.

⁷ For further explanation of my use of the term “information” and the theoretical framework of information economics, see Chapter 4.

⁸ There is a rising consensus among scholars that the state has always played a strong role in the formation and functioning of capitalism. For examples from different disciplines, see Liah Greenfeld, *The Spirit of Capitalism: Nationalism and Economic Growth* (Cambridge, MA: Harvard University Press, 2001); Alice Teichova and Herbert Matis, eds., *Nation, State, and the Economy in History* (Cambridge: Cambridge University Press, 2003); Espen Moe, *Governance, Growth, and Global Leadership: The Role of the State in Technological Progress, 1750–2000* (Aldershot: Ashgate, 2007); and Pietra Rivoli, *The Travels of a T-Shirt in the Global Economy*, 2nd ed. (Hoboken: Wiley, 2009). See also Chapter 4, especially the references in footnote 78.

Commentators have identified a variety of types of capitalism, among them shareholder, stock-market, laissez-faire, or consumerist capitalism in the United States and Britain; stakeholder, welfare, or producerist capitalism in Western Europe; organized or managed capitalism in France, Germany, Japan, Singapore, South Korea, and Taiwan; “family capitalism,” which is said to prevail in French, German, and Italian big business; and the recent concoction of “creative capitalism,” according to which corporations aspire to do good deeds with their wealth and power.⁹ Scholars have also labeled past eras according to purportedly dominant or vanguard modes of economic activity, from agrarian capitalism to war capitalism, finance capitalism, or industrial capitalism.¹⁰ While some of these categories are more useful than others, they all seek to provide a comparative perspective that can yield insights into national cultures and explain more successful versus less successful economic strategies. But one feature that is neglected in these designations is the common denominator in all varieties of capitalism: a powerful drive for information acquisition.

The information nexus – and hence capitalism – sprouted in Europe during the Renaissance with the birth of double-entry bookkeeping and the appearance of printed books and newspapers, which allowed for the rapid circulation of political and commercial ideas and intelligence. But it first reached full flower in the early modern Dutch Republic and United Kingdom, where elite tolerance of free speech ushered in the financial press, the collapse of censorship, and the encouragement of open science. In later eras, the information nexus expanded via trains, automobiles, and airplanes; telegraph, radio, and television; computers and smartphones. No society had ever seen anything like the perpetual innovation in means

⁹ David Coates, *Models of Capitalism: Growth and Stagnation in the Modern Era* (Cambridge: Polity, 2000); Ronald Dore, *Stock Market Capitalism: Welfare Capitalism: Japan and Germany versus the Anglo-Saxons* (Oxford: Oxford University Press, 2000); Peter A. Hall and David Soskice, eds., *Varieties of Capitalism: The Institutional Foundations of Comparative Advantage* (Oxford: Oxford University Press, 2001); Bob Hancké, ed., *Debating Varieties of Capitalism: A Reader* (Oxford: Oxford University Press, 2009); Harold James, *Family Capitalism: Wendels, Haniels, Falcks, and the Continental European Model* (Cambridge, MA: Belknap Press, 2006); Michael Kinsley, ed., *Creative Capitalism: A Conversation with Bill Gates, Warren Buffett, and Other Economic Leaders* (NY: Simon and Schuster, 2008); James Q. Whitman, “Consumerism versus Producerism: A Study in Comparative Law,” *Yale Law Journal* (Dec. 2007), 340–406.

¹⁰ Giovanni Arrighi, *The Long Twentieth Century: Money, Power, and the Origins of Our Times* (London: Verso, 1994), passim; T. H. Aston and C. H. E. Philpin, eds., *The Brenner Debate: Agrarian Class Structure and Economic Development in Pre-Industrial Europe* (Cambridge: Cambridge University Press, 1985), passim; Sven Beckert, *Empire of Cotton: A Global History* (NY: Knopf, 2014), chaps. 2–3, 6; and see Frederic Jameson, *Postmodernism, or, the Cultural Logic of Late Capitalism* (Durham, NC: Duke University Press, 1991).

of communication and information acquisition that took place in parts of Western Europe, the United States, and, in the last half-century, Japan and its emulators in East Asia.

The information nexus explains the rapid proliferation of factories in the Industrial Revolution, thanks to the dissemination of technical know-how and manufacturers' desire to achieve greater control over workers. In the late nineteenth and early twentieth century it accounts for the "managerial revolution," during which hierarchies of salaried managers emerged to develop new methods of collecting and processing information within large corporations. The information nexus gave rise to advertising through the mass media as a way of attracting and informing (or manipulating) consumers, as it did the distribution system that enabled businesses to produce and stock goods with greater responsiveness to consumer demand. Conversely, breakdowns in information flows were manifested in the mass mania of speculative investment in stocks or real estate, or, as in the Dutch Golden Age, tulips. In the Great Recession of 2008, as in the 1720 South Sea bubble, one of the major causes of financial crisis was the complexity of new types of derivatives and the dearth of information by which investors and governments could judge their worth.

No other authors approach capitalism from this vantage point. Comprising both historical synthesis and original research, the book brings to light what scholarly specialists now know about past eras of world economic life. I integrate the findings of the World History school, which has successfully challenged Eurocentric ways of viewing global societies. But I also offer a corrective to the argument that the rise of the West was primarily a matter of its willingness to project its power overseas. This book maintains instead that the "great divergence" occurred to a large extent because of the advantages that accrued to the West from the information nexus that is the quintessence of capitalism.¹¹ The culminating argument is twofold: our current Information Age, despite its new and transformative technologies, represents an amplification of a pattern of economic behavior originating in certain parts of early modern Europe. At the same time, restrictions on the information nexus, as can be seen in contemporary China, indicate the limits to the expansion of capitalism in the world today: a seeming paradox in light of the common perception that China epitomizes that expansion.

¹¹ The quotation is taken from Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton: Princeton University Press, 2000). My argument in this respect parallels Jeremy Black's in *The Power of Knowledge: How Information and Technology Made the Modern World* (New Haven: Yale University Press, 2014), although his book, as a general reflection on information in history, does not place a reinterpretation of capitalism front and center.

I have structured the book first to critique the received wisdom on capitalism and second to offer an original interpretation of it. The chapters in Part I call into question what we think we know about the subject by recounting the history of the word “capitalism” and examining our deeply rooted misconceptions about it. Part II presents my view of capitalism, with chapters on the history of the information nexus that illuminate the qualities that separate capitalism from other economic systems past and present.

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Finally, I thank my wife and daughters for making such a wonderful life for me. But that has nothing to do with capitalism.