

After capitalism: ethics? Five ideas on value and the crisis.

'As soon as labour in the direct form has ceased to be the great well-spring of wealth, labour time ceases and must cease to be its measure and hence exchange value [must cease to be the measure of] use value.'
Karl Marx, *Grundrisse*ⁱ

We are, it would seem, in the midst of a historical crisis of the capitalist system. As the dynamo effects of the sub-prime collapse ripple through the economy, from financial markets to consumer spending and industrial production, it has become common to point at how our present capitalist system lacks long-term sustainability. If this used to be the privilege of a handful of left-leaning economists like André Gunder Frank (2005) or Robert Brenner (2004), economists, politicians and business leaders who used to be more than happy with the existing order of things have now joined the ranks. Even Richard Florida, whose theories of the 'creative class' stood at the heart of the gentrification-driven real estate boom that preceded the present crisis now proclaims that *'[t]he housing bubble was the ultimate expression, and perhaps the last gasp, of an economic system some 80 years in the making, and now well past its "sell-by date" (Florida, 2009:9).*

However, in order to understand why the 'system is past its "sell-by date"' and, by implication, what can be done about this, it is not enough to go beyond populist cries of managerial greed and corrupt banks. We need to move even deeper into the heart of the matter, beyond even most current explanations that focus on the perversities of advanced financial instruments and the need for tighter regulation of financial markets; we need to *'descend into the depths of production'* to quote (an increasingly popular) Marx (1939[1973]:105) once more, and engage with the fundamental concept of any economic analysis: value.

This article will attempt a couple of moves in that direction. It will argue that we are witnessing a

fundamental re-configuration of the very core logic of value with which our economy works: We are moving from a capitalist economy where value is directly related to investments in productive time, to an ever more influential 'ethical economy' where value is related to the quality of social relations. I will develop this argument by presenting five (interconnected) ideas: One, that our crisis is a crisis of transition from one system, industrial capitalism, to another economy that has yet to find its political, juridical and ideological form, its 'superstructure' to keep using Marxist terms. Two, that this crisis of transition is driven by the emergence, within the institutional framework of capitalism itself of a new mode of production that works according to a logic of value that is different from that of industrial capitalism. Consequently a lot of the wealth actually produced by the economy cannot be adequately valued and, by implication, managed within existing structures of accounting, control and measurement. Seen this way, the crisis we are now living through is essentially a value crisis, where, as the opening quote claims, exchange value no longer adequately reflects use value, or, to put it in less cryptic terms, there is a general sensation that a lot of the real values that circulate in our economy cannot be adequately represented. Three, that the emerging 'new economy' has a distinct value-logic of its own. It is an economy where value is related not to productive time as in the capitalist economy, but to the ability to build ethically binding relations: it is, in this sense and 'ethical economy'. Four, that the emergence of such an ethical economy is the outcome of a dialectic that has been immanent to the very development of the capitalist economy, and in particular to its post-War globalization- phase. Five, that since, as recent economic sociology would argue, 'value' is essentially a shared convention as to the representation of economic processes (cf. Barry & Slater, 2005, Chiapello, 2008ⁱⁱ), the solution to the present 'value crisis' is contingent on the establishment of a new shared convention. Given the nature of the ethical economy, such a convention must be centred on a transparent and systematic measure of the social impact of companies and organizations.

I am aware that a bold statements like these are risky in an academic setting, particularly when

expressed in the condensed format imposed by the medium of the journal article. (This article is in fact an attempt to summarize the ideas behind an ongoing book project.ⁱⁱⁱ) As a sort of pre-emptive defence against the (legitimate) criticism that this article will no doubt produce, I want to remind the reader that its purpose suggest ideas that can guide our interpretation of current events.

Although such theoretical work needs to proceed in close dialogue with the available facts, it stands no chance of even approaching the empirical rigour needed for a thorough substantiation of the hypotheses proposed. All this article aims to do is to present a number of ideas that can serve as heuristic devices, that may be, hopefully, developed, corroborated, criticized or refuted by others.

I. First Idea: Our crisis is a crisis of transition.

The present financial crisis is not the first to hit us. Rather, the period of relative financial calm that marked the persistence of the Bretton Woods accord (1947-1971) has been succeeded by a series of financial boom and bust cycles, the stock market in the 1980s, the dot.com boom in the 1990s and now the sub-prime/real estate bubble (Marglin & Schor, 1991, Wade, 2008). The reasons behind this recent volatility are many and interconnected in complex ways. First, the collapse of the Bretton Woods system itself created higher levels of volatility (in particular in currency markets) and greater scope for speculation. Second, the computerization, networking and technological refinement of financial markets have vastly increased their speed and scope (MacKenzie, 2006). Third, deregulation and other policy decisions has further accelerated the process (like Margaret Thatcher's decision to systematically transform the British economy from one centred on industry to one centred on finance and corporate services, cf. Harvey, 2005).

However, at the heart of the expansion of financial markets and, as a consequence, of financial speculation, there has been a constant and growing over-supply of capital, driven by a persistent decline in the rates of profit of virtually all non-financial sectors of the US economy. This tendency has accelerated in the 1990s (Brenner, 2004, 2006). Tendencies are the same for Western Europe

and, not least, China (Arrighi, 1994, O'Hara, 2006). The result is that capital finds declining opportunities for profitable investments in the productive economy, and tends to migrate to financial markets where gains can be much higher, at least in the short run. Again this has been particularly true for China where industrial profits and private savings have been massively channelled into the US economy (partly for geopolitical reasons), where they have fuelled the recent waves of debt-driven private and public consumer bonanza (Arrighi, 2007). The flight of capital away from the productive economy and into the financial economy is a manifestation of the inability of the present economic regime to put the wealth it produces to productive use. This is an important point. It is not that there are no more needs to be met in the world. It is simply that the prevailing techno-political paradigm is unable to open up the markets by means of which capital could be productively deployed in meeting such needs. Although there are a number of attempts in this direction, like venture capital investing in alternative energy systems, or companies cultivating the 'bottom of the pyramid', the market of the global poor (Prahalad, 2006), these are the isolated results of mostly private enterprise, and not the coordinated outcome of systemic initiatives. Such a co-existence of unmet needs and excess capital, and the financial expansion that results from this combination is a classic symptom of the immanent transition from one system to another. Similar things have happened before, for example in the financial boom of the 1920s that marked the transition from a 19th century English-style industrial capitalism to an American-style consumer capitalism. Then the resolution of the crisis consisted in a series of systemic measures- the New Deal and resulting welfare systems- that not only managed to realize a more democratic mass consumer society thus opening up a range of new markets where capital could be deployed to meet hitherto unmet needs and desires, but de facto institutionalized a new, Fordist, paradigm of capitalist development (Aglietta, 1978). Indeed in his masterful history of the 'long twentieth century' Giovanni Arrighi argues that periods of financialization of the economy, like ours, usually constitute the last phase of a 'systemic cycle of accumulation' and signal the emergence of another one (Arrighi, 1994: x-xi).

The reason behind the declining profitability of investment in the productive economy is the growing productivity of labour across most sectors of the economy (excluding some kinds of personal services). In part, this growing productivity depends on what Marxists call the rising 'organic composition of capital', that is, the rate of machines and other 'stuff' to workers. In particular robots and information technology has rendered workers in factories and offices immensely more productive, drastically reducing the time needed to produce stuff or do things. The result is a supply of 'more stuff' and declining prices, which reduces levels of profits. However, the rising organic composition of capital is *per se* not the only factor behind the recent profit squeeze (after all this has been going on for a long time). Rather, the rising 'organic composition of capital' has also caused the emergence of a new mode of production within the capitalist economy itself. This new mode of production has a shadowy presence on the balance sheets of companies, where it figures as what is known as 'intangible assets'.

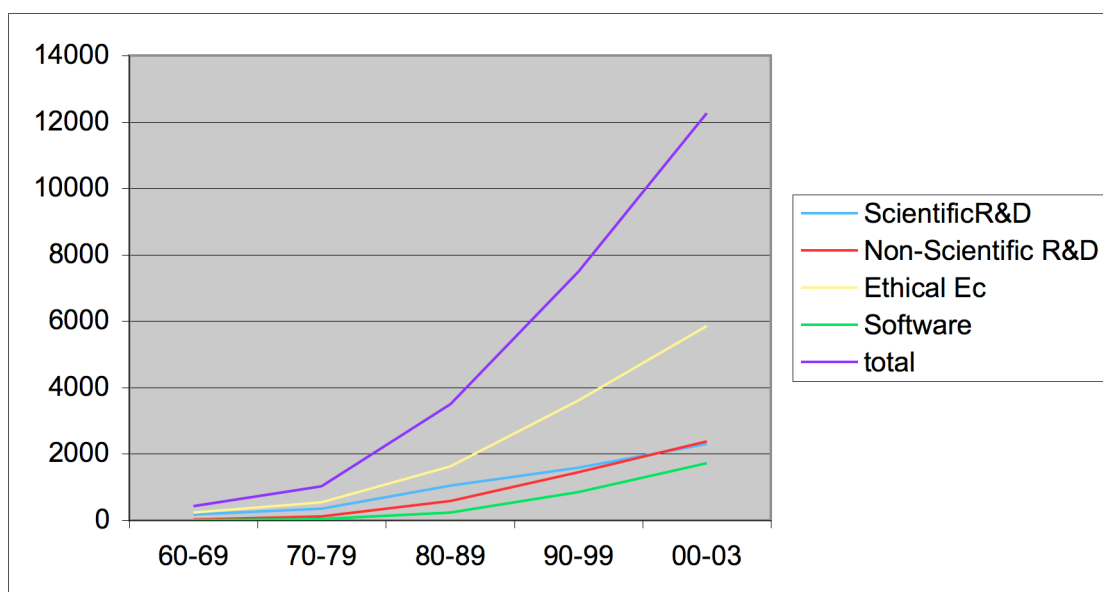
II. Second Idea: The Crisis of Transition Manifests Itself as a Value Crisis

One of the most important economic developments in the post-War years had been the rising importance of intangibles. Intangibles are things like brand value, intellectual capital or reputation that are reflected in share prices, and that have a notable impact on business performance, but that are only sometimes taken up in official accounts, and when they are, they are generally valued in a haphazard way. In contrast to the rigid standards for valuing 'material' assets, official accounting rules give companies a wide berth in valuing intangibles. As Nir Kossovski, executive secretary of the Intangible Assets Society, an advocacy group that is working to develop new standards and practices for monetizing intangible assets, laconically concludes: *'there is not the rigor and uniformity that governs the valuation of tangibles'* (Canuso, 2007). This means that a *growing number of companies increasingly rely on assets that they cannot measure and account for in any rational way*. This is quite serious since intangible assets, although per definition impossible to

precisely measure, do amount to a significant economic reality: Intangibles are estimated to account for some 7 per cent of US investments in 2000-2003, or a bit more than one trillion dollars.

Similarly, data on the one hundred most traded companies on the London Stock Exchange estimate the share of market price attributable to intangibles to have increased from about 20 per cent in 1950 to about 70 per cent in 2000 (Mandel et al. 2006, Nakamura, 2001, Lev, 2001). The figure below, building on data from two economists at the US Federal Reserve, shows an almost explosive growth in the weight and importance of intangibles in the US economy, and in particular of the kinds of intangibles - like brand equity and intellectual capital (what I, for reasons that will become evident below, call 'ethical capital') - that lack a precise juridical definition.

Intangible investments in the US: \$ millions.^{iv}



So a significant and growing share of the US economy (about 7 per cent of investments today)- and of other advanced knowledge economies (estimates from for example Finland show very similar results, cf. Hussi, 2003) is *beyond measure*, so to say (cf. Negri, 1999). It can not be adequately represented within established systems of measurement, accounting and governance. This becomes even more serious if we consider that such intangibles are generally considered the strategically most important resources in the information society (Higson et al. 2007).

Why can intangibles not be measured within existing systems? It is not because they are immaterial or made of air, after all a lot of immaterial things, like cleaning or taxi rides find very precise values within the capitalist economy. Rather it is simply because they are produced in processes that are not reflected by the value logic within which the capitalist economy operates. Intangibles are difficult to measure because, to a large extent, they are produced 'outside' the sorts of processes that existing accounting systems have been designed to measure (Vormbusch, 2008). Our existing accounting systems were by and large erected in the 1930s as a response to the pressing question of how to rationally value capital assets in industrial production (to avoid the kind of stock market speculation that had preceded the crisis of 1929, Burchell et al, 1985). They were essentially designed to represent value created by a company's internal resources (chiefly machines and the salaried labour power at its disposition). But today's intangibles, in particular the most important and fastest growing ones, are increasingly produced in processes that unfold beyond the control of companies, deploying resources that are generally not owned by anyone. Let us take a look at the nature of today's most important kinds of intangibles: knowledge, brand and flexibility.

Knowledge stands both for the codified and for the tacit knowledge at a firm's disposal. This can be a matter of codified patents, or other IPRs: often it is a matter of the implicit know-how and tacit knowledge embodied in social processes. Brand stands for the affectively significant relations that a company is able to install with its stakeholders, consumers, employees, sub-contractors and the public at large. This would include things like reputation, Goodwill and perceptions of social responsibility. 'Flexibility' finally stands for the ability of a company to respond quickly to market changes, to 'breathe with market' (Marazzi, 1999). The production of these three kinds of intangible assets has a common trait. It is increasingly a matter of putting to work commonly available, socialized competences, 'collective intelligence', or what Marx called General Intellect (see below). While some Intellectual Property might result from the salaried labour of engineers and scientists in

corporate R&D departments, the general trend is for R&D to be ever more dependent on social knowledge production, through user led innovation schemes (like Procter & Gamble's famous 'connect & develop' program, Huston & Sakkab, 2006) or through clever utilization of transversal communities of practice (as in the case of Linux or other Open Source products now receiving substantial corporate support, cf. Rometti, 2006). Even when this is not the case, corporate R&D has always depended heavily on public investments in research and education. As Peter Drucker (1993:176) put it long ago, no company or industry has any natural advantage in the knowledge economy, rather competitive advantage tends to depend more and more on the ability to organize and capitalize on *universally available knowledge*. Flexibility builds on the ability of employees to quickly construct and re-construct adequate relations of production and to build functioning and complex networks of cooperation all along a value chain (producers, logistics, distribution, customer relations, call-centres and so on). These are processes that put to work the common affective, linguistic and social skills that employees possess, as members of society. Increasingly such value chains come to involve consumers and other members of the public as well (Zwick et al. 2008). Indeed, brand, the third category builds on a putting to work of the social and affective potentials of public communication (cf. Arvidsson, 2006).

This points at a general movement of value creation from the 'core' to the 'edge'(REF): from the resources that a company can directly control- like its machines or what its employees can be commanded to do- to resources that it cannot control, like public opinion or the 'creativity' or sociality of its employees that cannot be directly commanded. Across the advanced sectors of the economy, the boundaries of organizations become more fluid and the production processes comes to rely on a number of resources that are located in the environment of the firm, either internally, as in the social capacity of employees or their affective attachments to the company or to each other, or externally, as in the communication processes that unfold between consumers, or the knowledge sharing that takes place among suppliers. This way the role of the company is changing, from

primarily relying on resources that it can command, to attracting value from resources that it cannot command. This means that the company increasingly 'swims' in a sea of productive externalities, that it tries to translate into measurable value. This allows us to conclude that the growing importance of intangibles in the information economy is a reflection of a growing importance of external resources in the production process. Since present accounting systems are organized to adequately represent value creation that derives from proprietary resources they have no way of dealing with such external resources. So the value crisis is essentially a crisis of representation.

III. Third Idea: The 'New Economy' is an Ethical Economy.

In recent years the increasing socialization of wealth creation has acquired a lot of attention. Within the business world, a series of publications like *Wikinomics* (Tapscott & Williams, 2006) *Revolutionary Wealth* (Toffler & Toffler, 2006) and *The Wisdom of Crowds* (Surowiecki, 2004) have directed the attention of managers towards the potential gains that can derive from involving consumers, suppliers and other external stakeholders directly within the value chain. Similarly, the impact of Yochlai Benkler's (2006) *The Wealth of Networks*, and a host of related works has established such new productive forms on the agenda of the social sciences. These approaches share a common perspective: the business literature as well as most academic analyses basically see these new forms of social production (to use Benkler's term) as a free resource.^v Either as a 'free lunch for business' available for appropriation (to use Toffler & Toffler's expression), or as a new set of commons that make possible radically new productive relations (Bauwens, 2005, Dyer Withford, 2006).

The processes of social production on which business rely in the accumulation of intangibles are indeed 'free' in the sense that they generally do not move according to the established capitalist value logic. However, it is important to understand that these productive processes *do* follow a

distinct value logic, albeit one that is markedly different from the value logic that governs the capitalist economy. In order to understand what that value logic looks like we need to once again examine the nature of intangible assets like knowledge, brand and flexibility.

We have argued that these intangibles are produced increasingly by processes that unfold outside of the direct control of firms. Consequently contemporary brand and knowledge management is concerned with the organization of mechanisms by means of which value can be abstracted from these common competences by the ability to give them a distinct organizational form. Knowledge, innovation and intellectual capital management is about constructing an environment that is particularly conducive to creativity or where tacit knowledge connects and comes out in the open as 'collective intelligence'. In some cases this environment can become more important than the actual knowledge produced. Many successful high-tech companies (like the Italian Arduino, Thompson, 2008) now decide to provide open access to their designs and other knowledge capital. What they lose in rendering their product easy to copy is more than compensated for by the ethically significant community that they are able to construct. This gives them easy access to user-based product developments and position them at the centre of a knowledge economy where services around the product is becoming a more important source of revenue than the product itself. Similarly, agility and flexibility are maximized by empowering employees to self-organize their productive processes and, importantly to develop flexible yet robust forms of logistics and supply chain management (the real advantage of companies like Zara or IKEA). Brand management can similarly be seen as a sort of logistics of meaning and affect, the ability to organize and give direction to largely autonomous flows of public opinion and sentiment. In all of these areas value is primarily produced by the ability to construct affectively significant ties: ties that bind a brand or a company to its consumers, employees or other stakeholders in ways that go beyond contractual obligations. You cannot order an employee to be creative or a consumer to share his or her ideas about product improvements. Such offers need to be voluntary; they need to be motivated by some

form of affective affiliation. Such relations are not free, they require time and energy to build. In fact, the fastest growing intangible asset in the figure above, 'ethical capital', stands precisely for investments in such relation building: Essentially this comprises investments in brand equity, in corporate culture and in employee training in teamwork and other social skills.

We can make similar observations about the host of productive practices that have developed outside of the capitalist economy. Within the FLOSS world the radical nature of GNU/Linux, the fact that such a complex a thing as an operating system could be created through socialized 'open' forms of production (something nobody thought possible before) depends not on the abundance of programming-labour at the community's disposal, or on the unusual skill of its programmers *per se*, but on the organizational and affective form of the GNU/Linux brand-community that has been able to attract vast quantities of 'free labour' from the public and channel those diffuse energies into the completion of such a complex task (Weber, 2004, Ingo, 2005). Most big cities possess an abundance of 'talent' in the form of people with an artistic bent, but only those cities that provide an ambience where this talent can organize itself with ease (essentially: many occasions for face-to-face encounters) are able to capitalize on this resource. And even there, most of what is produced is accomplished by a small number of entrepreneurs that distinguish themselves by the size of their networks and the respect and social capital that they can command (Florida, 2002, Currid, 2007, Lloyd, 2006). In all of these instances what creates value is not measured inputs of scarce productive time (labour or machine time), but the ability to build social relations that organize and motivate essentially abundant resources: 'free labour' and collective intelligence. *The production of value in networks of socialized production is the same thing as the construction of ethically binding social relations*, that is relations that are able to motivate and organize cooperation in absence of external sanctions. (After all, for Aristotle the subject of ethics was the voluntary cooperation between free men in the polis, cf. Arendt, 1958). Instead cooperation in such networks of social production is generally driven by intrinsic motivations, like the affective ties that one has

established with the Open Source community or the desire to be recognized as a creative individual. (Again, ethics, for Aristotle is closely related to ethos, or character, the cooperation of free men in the polis depended essentially on their ability to balance their passions and affects.) This way we can argue that the growing presence of intangibles reflect a growing dependence on the part of capitalism on what we can call an 'ethical economy'.

IV. Fourth Idea: The Ethical Economy is an outcome of the globalization of capitalism.

There has been an increasing attention to ethics within management discourse over the last decade or so. In part this is of course a reaction to new kinds of more advanced consumer demand and public opinion. To a large extent, however it is a reflection of an increasing value of ethics-the ability to construct affectively significant relations- within the production process itself. There are four (interconnected) reasons for this:

At a first level, the value of ethics is a consequence of the expansion of cooperation and the growing complexity of contemporary economic processes that this entails. Think about today's global assembly lines, or a company like IKEA producing and distributing thousands of paper boxes containing identical components made in thousands of factories and sold in hundreds of stores across the globe. The emergence of a truly global world market leads to an unprecedented complexity of the production process, with global assembly lines, and a massive recourse to subcontracting. The more complex the production process, the higher the relative value of coordination and organization. This is reflected in the massive post-War growth of management and logistics as important sectors of the world economy (Levison, 2006). As value chains go global and start to involve a wide variety of different actors, traditional media of coordination -markets and contracts are no longer enough. This is particularly true when these value chains involve external actors, like consumers, the contribution of which can neither be paid for nor contractually enforced. So this way, the socialization of the capitalist production process, which has exploded in recent

years with globalization and the massive arrival of new ICTs forces us to rethink the classical model of the firm (cf. Coase, 1937). Now, it seems we are facing a third mechanism, trust, or ethics. The ability to instigate positive relations of affinity and affiliation becomes a way of guaranteeing stability and continuity in situations where neither markets nor contracts are sufficient. This is, again, particularly relevant for actors who can not, per definition be paid for or contractually obliged, such as consumers or members of the general public. Ethics thus creates value by reducing transaction costs in highly complex productive networks.

A second way in which ethics creates value is by securing rent from external processes. It is often counterproductive to give monetary rewards to consumers participating in external processes of innovation or co-production. (The Mozilla foundation is a good example of this. The foundation was constructed to manage the enormous funds generated by its open source Firefox browser. The money could not simply be distributed among the developing community, as this would severely disrupt the peer dynamics by means of which development had prospered. So it is not just the case that monetary rewards are irrelevant for most co-producing consumers, in some cases the introduction of monetary rewards threatens to severely disrupt the developing community, Bauwens, 2008) Consequently these contributions need to be attracted by the construction of the kinds of binding affective relations that can give rise to intrinsic motivations. The same argument goes for knowledge workers, whose tacit, hidden knowledge needs to be motivated by increasingly immaterial means, what William E. Halal (2006) has called a 'corporate community'. Indeed there is now a long tradition of research that has established that beyond a certain point, values and an environment that encourages self-realization counts much more than money as a motivational force for knowledge workers, and that good relations in the workplace is the most important factor determining whether a company is able to retain its skilled personnel or not. Conversely, emotional intelligence, the ability to construct good relations to one's peers has been identified as one of the most important factors behind the productivity of knowledge workers. And 'cynicism' resulting from the

inability of a company to mobilize the affective attachments of its employees has been identified as an important obstacle for performance and organizational change (cf. Gardner, 2002, Reichers et al, 1997). This way practical ethics- the ability to construct meaningful and durable relations with and among co-workers- has value because it allows to attract rent from productive processes that unfold beyond the direct control of the firm.

Third, the abundance of labour power and the rapid spread of product and process innovation, through mechanisms like outsourcing, creates an abundance of high quality products. The moment in which Prada begins to outsource the production of their bags to small Chinese factories- mostly located in Italy, around Prato and in Campania- these factories quickly learn how to make the bags, and can easily churn out identical bags at night. With exploding numbers of engineers and pharmacists and the heightened availability of scientific publications on the internet, it is now possible for an Indian garage entrepreneur to get access to the knowledge and skills necessary to produce Viagra in the garage (and garage genetic manipulation, 'genome hacking' is the next trend, cf. McKenna, 2009). The ease with which products and processes can be copied, means that, at least for the mid- range market, product quality is becoming less relevant as a competitive advantage. In these cases , competitive advantage must build on what cannot be copied, or, the web or affectively significant relations of trust and identification- of ethics- that can be maintained around a product or brands, what can become, in Kevin Kelly's (2008) words, 'better than free'. Prada for example, combats counterfeits by organizing prestigious social events for its customers. You can copy the bag, but not the experience of being invited to a private art opening or an exclusive cocktail bar.

However, the three causes listed above can be reduced to a fourth deeper structural tendency: the rising value of ethics is related to the growing autonomy of labour (or productive power in general) *vis-à-vis* the command structures of capital. Marx predicted this increasing autonomy of labour (to use his terminology) in an interesting spin on Adam Smith's argument about the virtues of cooperation. He developed this argument in relation to the new importance of machinery and

technology that he could directly observe, writing some sixty years after Smith.

General Intellect

In the *Grundrisse*- his working notes for writing *Capital*, which he never intended to publish, Marx stresses how the capitalist economy realizes unprecedented levels of complexity and interconnectedness in the production processes. It involves more people and machines than ever before and they are connected in new and complex ways, from the web of transmission belts that criss-crossed Victorian factories to the coordinated value chains that make up the world market. As this complexity and interconnectedness increases, Marx argues, the relative importance of labour as a source of wealth will decline in favour of what he calls General Intellect, or publicly available knowledge and skills. It is not 'labour time' itself, as much as the 'forces set in motion during labour time' - the complex network of machinery, competences and social networks that the worker *operates* during labour time, that becomes the main source of wealth. Indeed, with the increasing importance of General Intellect, the worker

steps to the side of the production process instead of being its chief actor'. In this transformation, it is neither the direct human labour he himself performs, nor the time during which he works, but rather the appropriation of his own general productive power [...] that appears as the great foundation stone of production and of wealth.

(Marx, 1939 [1973]:705)

Where does this 'general productive power' come from? From intensified and re-mediated processes of social communication: Complex forms of social cooperation not only render the division of labour more efficient, they also tend to intensify social communication, exchange and the sharing of knowledge, experiences and practices. Workers begin to talk to each other and learn from each other. They move from one factory to another and spread new practices and insights. Engineers and managers talk to subcontractors, clients and even competitors. Overall, the new social formation that arises around a complex system of production, mediated by machinery, transport and new forms of personal encounters creates a new network of intensified and focused social interaction. This generates a common resource in the form of a stock of knowledge,

experiences, and 'best practices' that can be drawn on and used as a source for further innovation and improvement.

The important thing about General Intellect is that this resource arises not from individual genius but from communication and interaction. It builds on the generic qualities of the human mind and body, which are made productive in a new sense by being mediated and connected in a different fashion through information and communication technologies. Indeed Marx defines this 'general productive power' as the worker's '*understanding of nature and his mastery over it by virtue of his presence as a social body- it is, in a word, the development of the social individual which appears as the great foundation stone of production and of wealth.*' (ibid.). It is by being part of a social context, through one's development as a social individual, that one comes to have 'access' to General Intellect.

To the extent that General Intellect is a socially produced resource, then the 'stock' of General Intellect increases as new technologies of information and communication connect and mediate human communication in new and more efficient ways. This is precisely what has happened in the post-War years. The progressive mediatization of social relations that have resulted from the diffusion of media and communication technologies (and the fusion between communication and consumption in increasingly branded consumer goods) has meant that more and more people have become connected and able to participate in some way in an increasingly global 'culture'. This process has continued in the present diffusion of the internet, which has enabled a planetary stock of General Intellect on an unprecedented scale. So from this somewhat unorthodox Marxist point of view, we can consider the growing productivity of social production that has affirmed itself in the post-War years as an effect of the massive expansion of the global stock of General Intellect that has resulted from the mediatization of social relations and, in particular the diffusion of new information and communication technologies.

It is important to stress that General Intellect, as opposed to ‘human capital’, is a socially produced and generally available productive resource, a resource of the *social individual*. Marx strongly emphasises this already in the case of 19th century factory production. While machinery, buildings, tools and supplies are the private property of the capitalist entrepreneur, General Intellect is a commonly available resource inscribed in the social environment of production. It is available to the worker by virtue of his membership in this environment, by virtue of him being an accepted peer, his status as a ‘social individual’. Now this general or common nature of General Intellect is extremely significant because it means that this resource cannot easily be controlled by capital. To Marx, capitalist control over the social production process (and the power over the workers that this entailed) rests on a monopoly over the means of production. Simply put, industrial buildings and machinery are expensive, most workers cannot afford them, so they are forced to sell their labour to those who can. This puts them in a situation of dependency and potential exploitation. But General Intellect cannot easily be monopolized: it is a resource at the workers’ natural disposition. And they can use it in ways that are not intended, prescribed or even desired by capital. This is of course even more true today when the mediatization of social life has expanded General Intellect beyond the factory gates, so to say, and made it a genuinely social resource, when, as Marx predicted in the 1850s, *‘the conditions of the process of social life itself have come under the control of the general intellect and been transformed in accordance with it.* (ibid. p.706).

As a consequence of this autonomy, the more General Intellect ‘counts’ in the production of social wealth (and this importance is a direct function of the complexity of the overall production process), the less the production of social wealth can be directly controlled by the value forms imposed by capital. That is, the less the adequacy of traditional accounting systems built around the problem of capturing the value of *labour time*, and the greater the importance of the catch-all dark matter that we commonly refer to as ‘intangibles’. So, paradoxically, the more capitalism expands

and develops the social production process, the less it is actually able to control that process, the more it enables the autonomy of social production.

In the contemporary information economy this autonomy is a tangible fact. The mediatization of social life and the diffusion of networked information and communication technologies has socialized General Intellect to the point where it is no longer a feature of a closed-off professional environment, but rather part of social life as such. As 'mass intellectuality' General Intellect is a feature of the life-world of an ordinary member of society, or 'social individual'. The skills necessary to utilize this common resource, how to organize a project team, how to construct a network, how to access and organize knowledge, are learned as part of an ordinary socialization process: playing Massive Multiplayer Games and using social media. At this point this massive productive power- the resources set in motion during labour time- becomes nothing less than the ordinary competences embodied in life itself: the 'knowledge worker' uses her natural social competence to create networks, the advertising agency looks for natural cool on the part of consumers. This is what realizes the concrete forms of autonomous social production that we have discussed so far: the booming productivity of Free/Open Source software, the mushrooming of self organized service economies in bigger cities; the new forms of nomadic entrepreneurs who launch companies from laptop computers connected in Starbucks cafés and the new knowledge workers who move in and out between paid employment and idealistic projects (Gazier, 2003, Thompson, 2007). And it is in order to attract this enormous, socialized productive power, which can no longer be commanded, through brand communities or user-led innovation systems, that capital needs to resort to ethics.

V. Fifth Idea: The present crisis must be resolved by a new value convention.

The growing presence of intangibles on balance sheets reflects a flight of value, from commanded processes that unfold within the company, to an external ethical economy of social production

deploying general intellect. Seen this way, brand equity can be understood as a securitized value stream that derives from autonomous processes of communication and interaction among consumers. These processes are located beyond the control of the wage relation, around which the command over labour and the extraction of surplus value were organized in the industrial, Fordist paradigm. We can see a parallel development at the household level, where the rising autonomy of socialized productive power relative to capital is reflected by a decreasing importance of the wage relation as a way of redistributing social wealth. Instead household income tends to derive from a multitude of diverse sources: regular salaried employment, short term work, consultancy, children's work, unpaid forms of social production that can be monetized in different ways, entrepreneurship, engagements with the growing informal economy, and importantly real estate speculation and other forms of financial rent (Warren, 2007). Conversely the financialization of everyday life, particularly through the expansion of mortgage and credit card debt provides a way of capturing value from a multitude of activities that lie outside the wage-relation proper: In the Fordist model, the labour contract guaranteed the worker a secure long term access to the means for the reproduction of life, and the capitalist; a secure long term and predictable stream of surplus labour (in the form of the productivity of the working day that exceeded the cost of labour). In the post-Fordist model the financial system anticipates necessities for the reproduction of life (a house, health insurance etc.) and receives in turn a long term and (relatively, or at least calculably) secure value stream in the form of interest payments. The interest payments become a direct extraction of surplus from the whole life practice, and not just from the working day. This way, we can argue that, the financial expansion that has marked the last decades has not just been a reaction to a declining rate of profit, but also, at least in part, a rational response to a situation where the production of value tends to be increasingly socialized and hence evade the control of the wage-relation. Today, value of an ever more socialized production process is increasingly set on and distributed through financial markets (cf. Fumagalli & Mezzadra. 2009). But those values are set and redistributed without any commonly accepted and transparent convention.

We are still operating within a accounting standards that were, by and large erected in the 1930s as a response to the pressing question of how to rationally value capital assets in industrial production and recent attempts to amend that standards, like 'mark to market' are largely self-referential, they do not measure anything outside of financial markets themselves. This way, the only rational and transparent value convention that we have is organized around the measurement of the productivity of labour power and other proprietary resources. But, as we have seen, this convention leaves out a growing share of actual value creation. What sort of convention could we establish in order to rationally measure the productivity of life itself?

Once again, take brand equity. As a financial asset a brand represents a predictable future revenue stream that comes from a wide diversity of sources, the most important being the fact that consumer are prepared to pay extra- to pay a premium price- for the affective experience that the brand offers. (Other factors are market strength, control over distribution channels etc.) While the logo is protected by trademark law, the right to a revenue from the brand can not be legally enforced. Instead this 'right to rent' must build on some form of legitimacy and consensus: it must in the end build on the fact that consumer (or other stakeholders) feel that the brand actually makes a positive difference in their lives: that it actually matters to them. The value of a brand builds, ultimately on its perceived social impact. A similar logic applies for the most important assets in today's financial crack, mortgage-backed securities and credit card debt are essentially securitizations of what we could call 'life conduct'. The value of a mortgage or of credit card debt depends on the life conduct of the borrower. We can generalize this even further: the value of a real estate market depends on the life conduct of the inhabitants of a neighbourhood or a city- after all this is what 'creative city' policies are all about, and to a large extent the productivity of a knowledge intensive company is about the life-conduct of its employees. These are *ethical* assets, properly speaking. Now, a working convention for valuing such ethical assets must depart from a rational estimate of their

social impact. Indeed, such a new value convention is already emerging. In part, we can observe this in the growing importance that companies give to CSR and ethical reputation. However, since CSR efforts are evaluated in relation to fixed standards and codes of conduct (if they are evaluated at all), they do generally not offer a dynamic measurement of actual social impact. On the other hand, we can find such a dynamic measurement within the emerging value logic of social production itself.

Participants in social production tend to give great importance to their networks and their reputation. 'Networks' can be understood as a measure of the extension of a person's social impact, the amount of people that he or she matters to. Reputation, on the other hand can be considered a measure of the quality of that impact. These work effectively as currencies of value, indeed it can be argued that they fulfil the three functions traditionally attributed to a currency in economic thought: First, they *measure* a person's social impact in the sense that the more one contributes to a community of social production, be this Open Source software or an urban creative scene the greater one's reputation, and generally the more extended one's networks. Conversely, these currencies also work as a sort of liquid social capital that can be deployed for productive purposes, they effectively *store* ethical value. The greater my reputation and the larger my networks, the easier it is for me to mobilize 'free labour' and other resources to initiate a project and to get things done. Finally, these currencies *embody* ethical value, in the sense that acquiring a good reputation and large networks is one of the most important motivations for participating in processes of social production (Arvidsson, 2007, Christophersen, 2008, Wittel, 2001). The management literature has recognized this importance of networks and reputation through the salience of concepts like 'networking' and 'personal branding', whereby knowledge workers are advised to rationally (indeed often cynically) cultivate a social impact in order to be able to spend the social capital that results from this (cf. Peters, 1999). Personal branding, networking, the dynamics of reputation in creative economies and in online communities together with the rising importance of brand equity and the

new centrality of visibility and celebrity culture are all instances in which some form of estimate of social impact translates into monetary values. The question is, can such measurements of social impact be objectified and rendered conventional?

Again these processes are already under way, we are seeing an emerging objectification of these currencies online. One of the most important tendencies online are the massive growth in social network sites, the share of adults who have a profile on a social network has more than quadrupled since 2005, from 8 to 35 per cent of the US internet population between 18 and 44 (Lenhart & Madden, 2007) Social network sites objectify the extent of one's social impact, the number of people on which one has an impact (Boyd & Ellison, 2007). Qualitative measurements are however also developing rapidly, chiefly in the form of rating. The number of such rating systems are expanding, from early pioneers like Slashdot, where the ratings of users, reflecting their community-standing, is what determines their ability to comment and edit other peoples comments, and Ebay, where the mutual ratings of customers creates an index of their credibility; and couch-surfing, where the rating of hosts and guests determine each participants' probability of finding a couch, to a number of commercial applications: airlines, hotels, and e-commerce sites now habitually send us emails that task us to rate their service. We can see forays of rating mechanisms into new fields like accreditation of experts and the selection of trustworthy data in online knowledge-sharing systems, or the certification of teachers in peer-to peer education systems where community standing might matter more than official certificates (Downes, 2007). Finally, there is a strong tendency toward a growing corporate use of these systems as ways to manage the relations that companies entertain with external stakeholders (Digan, 2008, Hunt, 2009). Now imagine a system that is able to create a network of a company's internal and external stakeholders and allow them to continuously rate the social impact of that company or its brand. (Such systems are indeed already on the market, one is Actics, www.actics.com). Then imagine a such a system operating in the immediate future, in a world with radically expanded connectivity, both horizontally through a

virtual overcoming of the digital divide (principally by means of mobile phones with internet access) and ‘vertically’ (in the form of an ‘internet of things’ that by means of RFID tags or some other mechanisms connects most objects to the internet.) In such an environment a similar system would allow everybody involved in the global value chain of a brand to consistently rate its social impact. The aggregate result of those rating would be an ethical index – let’s call it Ecap- that realistically measures the actual social impact of the brand. The emergence of such a realistic measurement would have a number of important consequences. First, it would give consumers and financial investors an idea of what the brand is actually worth, thus overcoming the most blatant manifestations of the value crisis of the information economy. This would allow a reconnection of financial markets to a real economy- albeit an ethical economy of social impact- and allow financial prices to reflect actual social impact. The existence of such a measurement would radically reduce the space for financial speculation, and render financial markets a much more rational system for the measurement and redistribution of value. Such an instrument would also create something akin to a global public sphere that accompanies a global value chain. This will significantly shift the power balance back from capital over to consumers, workers and other stakeholders. It will be very difficult for brands to claim the moral high-ground (global sustainability, fair trade, helping the poor) without this being reflected in reality, if every such claim can be rated by virtually everybody concerned in ways that are easily accessible and immediately visible. What this might very well amount to is a radical de-fetishization of commodities and brands, and a new visibility of their actual production processes and their real social impact. Alternatively such a system would allow non-profit organizations, like local service economies or urban gardening systems access to capital on financial markets, as they would now be able to capitalize on an objectively measurable social impact.

Most importantly perhaps the establishment of such a system would establish the desire to maximize ones social impact as a new socially sanctioned motivation, along with the desire to

maximize ones profits. After all, profit maximization is an old, perhaps eternal motivational pattern, but until recently this mentality was generally frowned upon. It only became socially dominant in a process that began sometime in the 18th century (see Braudel, 1982 for a masterly description of this process). One of the main reasons for this was the capillary expansion of money in the social fabric and its introduction into social relations where it had previously been absent (a process described excellently by 19th century German sociologists like Simmel, 1900, and Tönnies, 1887). This capillary penetration of money (due largely to the invention of paper money in the 18th century, Ferguson, 2008) established the inherent goal of private profit maximization as a socially dominant motivational pattern. (Mainly because modern money is scarce and therefore costly, this way it comes with a bias towards productive investment, cf. Galloway & Thacker, 2007, Lietaer, 2007). So in a sense, *the medium was the message*: the generalization of the medium of money created what Max Weber (1934) later would call the capitalist iron cage: the socially institutionalized compulsion to maximize the profitability of one's actions in all walks of life. It is not unlikely that a similar diffusion of an objective ethical currency would establish the maximization of social impact as an overall goal, and thus realize a parallel, or even dominant ethical 'iron cage'.

VI: Conclusion.

We can see an emerging new value logic in a host of social phenomena, from CSR and the boom in corporate ethics, via Fair Trade and consumer ethics, growing markets for sustainable products and organic foods; a booming 'movement' of local service economies, urban gardens and other forms of bottom up self organization to a secular value shift in the global middle class of knowledge workers, towards a combination of a post-materialist outlook and a planetary consciousness. Even large, multinational companies are sensing this value shift, if nothing else in new forms of external consumer pressure and internal managerial discontent. At the same time we can see how the kinds of new markets that would meet our most obvious needs (essentially poverty reduction and

environmental sustainability) fail to emerge. The way to address this riddle is by the creation of a new value convention. Values, Max Weber teaches us, are only truly effective once they become socially and not just individually compelling, once they become inscribed in the societal iron cage. Only that way can an emerging concern with the environment and with global justice become something more a source of psychological frustration or, at the most, number of isolated and often fragmented manifestations of social activism. Only that way can excess capital be channelled into truly productive investment.

This article has argued that there is a strong economic incentive for such a new value convention to emerge. And this incentive is set to become even more powerful in the future as the ethical economy of social production is likely to become more influential (cf. Arvidsson et al. 2008). The creation of such a new, common and transparent value convention will not happen automatically. It will require political action. But the existence of a economic rationale offers new and interesting possibilities for alliances, between business and social movements, between the market and the state. This way managers and social activists can find new common ground.

ⁱ Penguin edition, translated by Martin Nicolaus: Marx, 1973(1939): 705.

ⁱⁱ Admittedly, 'value' is one of the most difficult and entangled concepts in the social sciences. Value can be simplistically defined a 'social importance', the weight that a society gives to an object or an issue. Under ideal conditions, conditions of complete rationality, transparency and information, value should be reflected in market price (or at least in long-term market equilibrium: another utopia). However value is different from price: it is more like the normative guideline for price (rather like Aristoteles' notion of 'just price'). To establish what counts as 'valuable' is in fact a fundamental political act, which sets the stage for subsequent struggles. Arguably the greatest revolutionary achievement of the French revolution of 1789 was to establish that labour had a value (and that it wasn't just an abundant natural resource). This set the stage for the struggles that accompanied (and led) the industrialization process of the 19th century. Similarly twentieth century industrial capitalism operated with a value-convention that resulted from the Fordist compromise between capital and labor. This way struggles over social redistribution could be normatively oriented around the productivity of factory labor. The neo-liberal reaction of the past twenty years has been organized around a systematic denial of any distinction between value and price. The

result has been a 'market society' where the only acceptable mechanism for social distribution is the market and its fluctuations. All of these are value conventions that have been achieved by political struggles and subsequently institutionalized in everything from labour law through accounting systems to public morality. They become part of what Max Weber (1934) called the societal 'iron cage' the set of socially institutionalized norms, values and motivations that guide social action, independently of individual will. The (political) challenge today is to construct a new such value convention (and an iron cage to follow).

- iii Arvidsson, A. & Peitersen, N. *The Ethical Economy*, work in progress, available at www.ethicaleconomy.com
- iv The figures come from Corrado, et al. 2004. I have re-branded as 'ethical capital' what they call 'economic competences' that is : '*strategic planning, investments to retain and gain market share, redesigning and reconfiguring existing products in existing markets, and investments in brand equity*' as well as '*Investment in firm-specific human and structural resources*' influencing '*employer-provided worker training and an estimate of management time devoted to improving the productivity of the firm*'. (ibid, p. 17). I estimate this to be a good approximation of what I mean by ethical capital - investments in building relations and increasing the efficiency of social cooperation. At the same time I am aware that this includes investments in purely technical development. However this potential error should be evened out by the fact that an unidentifiable, but probably significant share of what Corrado et al call 'non scientific R&D': '*the revenues of the non-scientific R&D industry [i.e. mainly creative industries, our note], as well as the cost of developing new motion picture films and other forms of entertainment, and a crude estimate of the spending of new product development by financial services and insurance firms*' (ibid, p. 17) - would actually count as what I call 'ethical capital'
- v Benkler only defines social production negatively as 'non-market production', the results of which are free (or 'subject of a robust ethic of sharing', Benkler 2006:91. He never suggests that social production might have a value logic of its own.

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