2016

Two Narratives of Platform Capitalism

Frank A. Pasquale
University of Maryland Francis King Carey School of Law, fpasquale@law.umaryland.edu

Follow this and additional works at: https://digitalcommons.law.umaryland.edu/fac_pubs

Part of the Law and Economics Commons

Digital Commons Citation
Pasquale, Frank A., "Two Narratives of Platform Capitalism" (2016). Faculty Scholarship. 1582.
https://digitalcommons.law.umaryland.edu/fac_pubs/1582

This Article is brought to you for free and open access by the Francis King Carey School of Law Faculty at DigitalCommons@UM Carey Law. It has been accepted for inclusion in Faculty Scholarship by an authorized administrator of DigitalCommons@UM Carey Law. For more information, please contact smccarty@law.umaryland.edu.
Two Narratives of Platform Capitalism

Frank Pasquale*

I. The Role of Narrative in Economic Thought

Mainstream economists tend to pride themselves on the discipline’s resemblance to science.¹ But growing concerns about the reproducibility of economic research are undermining that source of legitimacy. These concerns have fueled renewed interest in another aspect of economic thought: its narrative nature.² When presenting or framing their work, neoliberal economists tend to tell stories about supply and demand, unintended consequences, and transaction costs in order to justify certain policy positions. These stories often make sense, and warn policymakers against simplistic solutionism. For example, in the case of platform capitalism, a neoliberal economic account tends to praise firms like Uber, Airbnb, TaskRabbit, and Postmates for promoting labor competition and improving quality, by telling a simple narrative about the incentives created by reducing transactions costs and creating more opportunities for individuals and firms to compete to provide services. This account also emphasizes how easily

* Frank Pasquale is Professor of Law at the University of Maryland. He has served on the National Science Foundation-sponsored Council on Big Data, Ethics, and Society, and presently serves on the program committees of the Workshop on Data and Algorithmic Transparency and the Neural Information Processing Systems’ Symposium on Machine Learning and the Law.


efforts to regulate the terms of such employment may be captured by incumbents—an “unintended consequences” story.\(^3\)

However, as Simon Stern warns, the “satisfaction created by a fitting conclusion can beguile us into crediting a story, leading us to accept too readily that it has achieved its explanatory aims.”\(^4\) For decades after Russell Hardin crafted a narrative about the “tragedy of the commons,” economists cited it as a rationale for imposing private property rights. But empirical research revealed “commons” arrangements that did not end tragically.\(^5\) Legal scholar Carol Rose countered Hardin with a “comedy of the commons,” telling a very different story about opportunities for mutual aid and sustainable use of shared resources.\(^6\)

One may challenge the narratives of conventional, neoliberal economics by contesting the empirical validity of the factual foundations of its narratives. Such an empirical approach is one way of pursuing a fruitful hermeneutics of suspicion. But it is not sufficient to dislodge conventional narratives from the heuristics so often resorted to by policymakers. Rather, just as it “takes a theory to beat a theory,” a plausible counternarrative is far more likely to displace a conventional narrative than isolated empirical challenges to the conventional narrative’s factual foundations. This essay develops a counternarrative to dominant approaches to platform capitalism, schematically presented below.


\(^6\) CAROL M. ROSE, The Comedy of the Commons, in PROPERTY AND PERSUASION: ESSAYS ON THE HISTORY, THEORY, AND RHETORIC OF OWNERSHIP 105, 106 (1994) (noting that American “legal doctrine has strongly suggested that some kinds of properties should not be held exclusively in private hands but instead should be open to the public or at least subject to the ius publicum, to use the Roman law terminology the ‘public right’ [of use]”).
### Narratives of Platform Capitalism

<table>
<thead>
<tr>
<th>Conventional Narrative</th>
<th>Counternarrative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Platforms promote fairer labor markets by enabling lower-cost entry into these markets by service providers.</td>
<td>Platforms entrench existing inequalities and promote precarity by reducing the bargaining power of workers and the stability of employment.</td>
</tr>
<tr>
<td>Platforms reduce the impact of discrimination by increasing the number of service providers in transportation, housing, and other markets.</td>
<td>Platforms increase discrimination by identifying customers with picture-based profiles which reveal their race or racially-identified names. Ranking and rating systems can also reinforce bias.</td>
</tr>
<tr>
<td>Regulators of platforms are likely to reflect the biases and interests of incumbent providers (like taxis and hotels) thanks to incumbents’ political ties.</td>
<td>Large platforms now command so many resources that their own lobbying efforts can easily swamp those of fragmented and uncoordinated incumbents.</td>
</tr>
<tr>
<td>Large digital platforms have gained massive market share because of the quality of their service.</td>
<td>Large digital platforms have gained massive market share because of luck, first-mover advantage, network effects, lobbying, strategic lawlessness, and the unusually low cost of investment capital due to quantitative easing.</td>
</tr>
<tr>
<td>Platforms promote economic growth by drawing the un- and under-employed into the labor market.</td>
<td>Platforms undermine growth by reducing wages as workers scramble for gigs by offering to complete them for lower wages than their competitors.</td>
</tr>
<tr>
<td>Platforms promote flexibility by breaking down jobs into tasks, enabling workers to piece together work at their own pace.</td>
<td>Low-pay gigs and piecework force workers to be “ready for duty” constantly lest they miss an opportunity to work.</td>
</tr>
<tr>
<td>Using data-driven profiles of users, platforms can preemptively channel them to the workers they are most compatible with.</td>
<td>Users may experience loss of agency when serendipitous or unpredictable options are effectively hidden or obscured.</td>
</tr>
</tbody>
</table>

---

7. The counternarratives here reflect Michel Foucault’s development of the term “counter-memory” or “counter-history,” which contests dominant or received ideas. José Medina, *Toward a Foucaultian Epistemology of Resistance*, 12 *FOUCAULT STUD.* 9, 31 (2011) (noting “the crucial role that counter-memory needs to play to resist and subvert the epistemic oppression that condemns the lives of marginalized people to silence or oblivion”).

---
While science aspires to convergence on settled truths and natural laws, narrative is often plural: there can be more than one side to a story. For positivists, science is a more solid and reliable form of knowledge (and foundation for judgment) than storytelling. However, the free will of humans, plasticity of our institutions, and opacity of our thoughts recurrently frustrate social scientists who aspire to the type of prediction and control regularly achieved by natural scientists and engineers in the world of things and non-human animals. If we are to better understand the most important economic phenomena of our day, we must reveal the stories about competition, desert, and regulation that both animate and undermine the models and empirical analyses in mathematicized and quantitative social science.

II. New Platforms, Same Old Stories?

Simple stories distort multifaceted realities—but not necessarily any more than simple mathematical models do. Moreover, they may well motivate the economic research they are supposed to merely reflect. As platform capitalism becomes a more important way of setting wages for various distributed tasks in online settings, narratives of its impact will play a very important role in areas ranging from antidiscrimination law, to wage and hours regulation, to labor law.8

According to some thought leaders in Silicon Valley, global platforms for labor and services will provide extraordinary opportunities for workers.9 A “peer economy” of platform-arranged production will break down old hierarchies. Gig workers will be able to knit Etsy scarves in the morning, drive Uber


cars in the afternoon, and write Facebook comments at night, flexibly shifting between jobs and leisure at will.

But is platform capitalism really a route to opportunity for labor, or just one more play for capital accumulation in an increasingly stratified economy?10 A premier platform of digital labor matching—Amazon’s Mechanical Turk (MTurk)11—has permitted purchasers of “human intelligence tasks” to pay almost nothing for labor—resulting in effective compensation far lower than the U.S. minimum wage.12 Scholars like Trebor Scholz13 and Miriam Cherry14 have discussed the sociological and legal implications of platforms that try to disclaim responsibility for following labor laws or other regulations. Lilly Irani has shown just how corrosive platform capitalism has become: “With workers hidden in the technology, programmers can treat [workers] like bits of code and continue to think of themselves as builders, not managers.”15 The lived experience of many Uber drivers and “TaskRabbits” shows the downside of disintermediation. Sarah Kessler describes making $1.94 an hour labeling images for a researcher who put the task for bid on MTurk.16 The median active TaskRabbit in her neighborhood made $120 a week; Kessler cleared $11 an hour on her best day.17

---

Buoyed by skeptical journalistic accounts of platforms and sociological investigations, a progressive counternarrative of platform capitalism is emerging: a deregulated gig economy is a glidepath to precarity, prone to condemn laborers to insecure and poorly paid conditions.\textsuperscript{18} This second, darker narrative of platform capitalism balances the sunny optimism of neoliberals.\textsuperscript{19} It also increasingly informs the commentary of experts on law and technology, like Susan Crawford. Her powerful book \textit{Captive Audience} chronicled the failures of American broadband policy and proposed compelling solutions.\textsuperscript{20} Her core message was that large telecommunication firms were not fulfilling their social obligations as utilities.\textsuperscript{21} She holds new digital platforms to a similar standard, focusing on Uber.\textsuperscript{22} Crawford worries that Uber will rapidly monopolize urban ride services while avoiding regulation and taxes. Though it may offer a good deal to many drivers and riders now, there is no guarantee it will in the future. As Crawford argues, “When it comes to city-wide transport and communications networks, serving everyone at a high basic level fairly—including drivers—is more important than permitting a single company to make enormous profits from a substitute basic private service.”\textsuperscript{23} There is no assurance that “the market” will guarantee such results.

Tom Slee shares Crawford’s concerns, focusing on room-letting apps.\textsuperscript{24} He also condemns the digital colonization of international housing markets by U.S. firms: “For a smallish city in Canada, what happens to accountability when faced with a massive American company with little interest in Canadian employment law or Canadian traditions?” Slee’s question raises a deep point about

\begin{itemize}
  \item \textsuperscript{18}Ours To Hack and To Own: The Rise of Platform Cooperativism, a New Vision for the Future of Work and a Fairer Internet (Trebor Scholz & Nathan Schneider eds., 2016) (collecting essays critiquing platform capitalism and proposing alternatives).
  \item \textsuperscript{19}Alex Rosenblat & Luke Stark, Uber’s Drivers: Information Asymmetries and Control in Dynamic Work, 10 INT’L J. COMM. 3758 (2016).
  \item \textsuperscript{20}See Susan Crawford, Captive Audience: The Telecom Industry and Monopoly Power in the New Gilded Age (2014).
  \item \textsuperscript{21}Id.
  \item \textsuperscript{22}Susan Crawford, Getting over Uber, Backchannel (Oct. 16, 2015), http://backchannel.com/Getting-over-uber-fdf75fa7f6e#.kvfvsxfj8 [http://perma.cc/7V7AKZYA]. For more work holding powerful digital companies to the standards imposed historically on public accommodations, see Aaron Belzer & Nancy Leong, The New Public Accommodations, 105 GEO. L.J. (forthcoming 2017); Frank Pasquale, Internet Nondiscrimination Principles, 2008 U. CHI. LEGAL F. 253, 267 (discussing the “normative appeal of a common commercial ethic for dominant platforms online”).
  \item \textsuperscript{23}Crawford, supra note 22.
  \item \textsuperscript{24}See Tom Slee, What’s Yours Is Mine: Against the Sharing Economy (2016).
\end{itemize}
the nature of governance. What happens to a city when its government’s responsibilities are slowly and functionally disaggregated? Some citizens may want to see the effective governance of paid rides via Uber, of spare rooms via Airbnb, and so on. A full privatization of city governance awaits, from water to sidewalks.

For partisans of the sharing economy, the shift from territorial governance (by elected representatives) to functional governance (by firms) will result in a dynamic mix of corporate semi-sovereigns, all jostling to better serve the producers and consumers on each side of their platforms. But that narrative is undermined by consolidation of digital platforms. A pattern familiar in online platforms (where Google/YouTube dominates search in the United States, Baidu does so in China; Facebook and its subsidiaries are preeminent in social in the United States, etc.) is replayed in the dominance of commercial apps for real-space transactions like Uber and AirBnB in the United States, and Didi and WeChat in China.

The centripetal pull of producers and consumers, and of users and advertisers, toward dominant platforms raises a fundamental question for progressives who want to counter the standard, upbeat neoliberal narrative about the rise of platform capitalism: should authorities facilitate competition in these fields? Some believe that, despite all the concentration presently prevailing, these spaces could become truly competitive over time. That Jeffersonian vision of decentralized economic power would counsel a greater reliance on antitrust law in the future. By contrast, others believe that trends toward monopoliza-


30. See BARRY LYNN, CORNERED: THE NEW MONOPOLY CAPITALISM AND THE ECONOMICS OF DESTRUCTION (2010); Lina Khan & Sandeep Vaheesan, Market Power and Inequality: The Antitrust Counterrevolution and Its Discontents, 11 HARV. L. & POL’Y REV. (forthcoming 2016); Matthew Stoller, How Democrats Killed Their Pop-
tion are even more powerful in the digital economy than they have been in “brick-and-mortar” industries. On this view, government should recognize the likely persistence of duopolists or monopolists and regulate them like utilities.

Should policy focus on encouraging competition or regulation? The two approaches are not mutually exclusive—many forms of regulation could assure a fairer playing field for competition. However, the standard neoliberal narrative of competition presumes that deregulation is a linchpin of truly open and contestable markets. These clashing visions of a just social order need to be clarified and sharpened in political debate and qualitative social science—not dissolved into technocratic cost-benefit analyses. A one-size-fits-all model of platform capitalism cannot do justice to local norms, values, and cultures.

A recurring narrative in the technology trade press is that dominant platforms prevail thanks to their own merits: they are either the best coded, the best designed, or the best marketed. But as the sage in Ecclesiastes put it, “The race is not to the swift, nor the battle to the strong.” Luck plays a significant role in business. The first platform to gain critical mass can leverage that advantage into massive financing, which in turn can scare away competitors. Matters are particularly dire in two-sided markets like search or ridesharing, where consumers are often in a rush and do not care to learn multiple user interfaces in order to find the best deal among multiple providers.

If ridesharing or other platforms really are contestable, other purveyors of connectivity should be able to break into the market—or even redefine the


32. See, e.g., Frank Pasquale, Dominant Search Engines: An Essential Cultural & Political Facility, in The Next Digital Decade 408 (Berin Szoka & Adam Marcus eds., 2010) (“Antitrust’s summum bonum is the maximization of consumer welfare, and this measure of efficiency is notoriously narrow. For example, the DOJ was hard pressed to adequately factor in a basic democratic commitment to diverse communicative channels during many media mergers. Given antitrust doctrine’s pronounced tendency to suppress or elide the cultural and political consequences of concentrated corporate power, [antitrust authorities] are ill-equipped to respond to the most compelling issues raised by search engines.”).


34. Ecclesiastes 9:11.

space as a public utility. That, at least, is the hope of many innovators and activists who are part of the Platform Cooperativism movement. According to its co-convener, Trebor Scholz, “An app with the basic functionality of UberX can be duplicated and improved upon by independent developers who are working in tandem with cooperatives. From the very beginning, the development process would have to be steered by workers and developers.” In other words, the choice does not need to be between ossified, old-fashioned taxi and hotel services, or gleaming new Silicon Valley monopolies. The best aspects of old and new consumption and labor models could be combined, given the plasticity of technology and ubiquity of connectivity.

As the technological reorganization of lodging, transit, and other vital services accelerates, the platform cooperativists offer a hopeful message. Even if governance disaggregates, from territorial to functional logics, we can still create communities of concern and vectors of competition. If platform cooperatives can balance those two imperatives—promoting more streamlined services while respecting fair labor practices and community norms and obligations—they may well be able to succeed. But they are only likely to provide a real and enduring alternative to the current, compromised giants of platform capitalism if governments give them some initial breathing room (as infant industries), and promote a level playing field over time.

Is that a wise policy? Among technocrats, we can only answer that question with cost-benefit analyses and economic modeling. But behind the economic models lie narratives about desert (dominant firms either did or did not win their position on account of their own merits), fair competition (which is either eroded or enabled by regulation), and the weight of stakeholder interests (current consumers’ interests trump others, or must be balanced with the interests of future consumers, producers, and others affected by externalities from the platform). The neoliberal narrative of platform competition lionizes currently dominant firms, looks with suspicion on virtually all regulation of them, and gives current consumer interests far more weight than those of other stakeholders. A progressive counternarrative of platform capitalism is more skeptical of currently dominant firms, promotes regulation as a necessary limit upon their power, and balances the interests of current consumers with those of future consumers (who may want the option of choosing small players who would be driven into oblivion by the current monopolist without state intervention), workers, and others.


37. In the case of roomletting, other stakeholders include local governments (reliant on hotel taxes), neighbors of roomletters, and tenants in need of long-term housing. In the case of ride services, traffic, pollution, insurance, and tax considerations are on the regulatory agenda.
III. The Stakes of Narrative Accounts

These rival narratives of platform capitalism clarify the stakes of research into the history of now-dominant platforms and of current rhetoric surrounding their rise. The more abusive practices are uncovered at digital giants, the less they look like virtuous firms that ascended on the basis of merit, and the more they appear as brigands in need of serious (if belated) discipline. Here, legal investigations (like the European Union’s inquiries into Google’s business practices) are a necessary complement to the reporting of a trade press all too frequently beholden to tech ads (and ad tech) for its very existence.

Like the trade press’ reporting, empirical economic research is often adduced to support neoliberal narratives of platform capitalism. Empirical studies are supposed to clarify matters, but the sociology of knowledge teaches that the nature and purpose of research often hinges on its funding. Legal scholars and policy experts should be skeptical about the neoliberal narratives of platform capitalism now emerging out of economic research that may well have been premised on the very ideas it is now used to validate.

As ways of connecting the past to the future, each narrative has different strengths. The progressive narrative is more inclusive, taking into account a longer period of time, and a larger set of social concerns. The neoliberal narrative offers the virtue of simplicity and concision: once we accept a few premises (regarding the merit of incumbents) and narrow the range of inquiry (to current consumer welfare), it is much easier to trivialize or ignore broader social issues. Well-rehearsed concerns about institutional capacity, regulatory capture, parsimony in explanation, and predictability are frequently wheeled out to defend neoliberal narratives. But in narrative as in life, the easier route is not always the wiser one.

John Maynard Keynes once claimed that “[p]ractical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back.”39 In our time, these invisibly influential “economists and scribblers” are predominantly neoliberal. Progressives do well to organize workers, launch campaigns of regulation, and demand transparency from the kingpins of platform capitalism. But to achieve the lasting cultural, political, and economic influence of neoliberals, they must ensure these isolated actions both arise out of and reinforce a compelling narrative about the nature of economic progress and the just distribution of its rewards. Lawyers, sociologists, philosophers, and other scholars of society have just as much to offer to this narrative as economists.

38. PHILIP MIROWSKI, NEVER LET A SERIOUS CRISIS GO TO WASTE: HOW NEOLIBERALISM SURVIVED THE FINANCIAL MELTDOWN 44 (2014) (describing funding for neoliberal economic research).
Purely numerical measures of income or productivity only tell part of the story of platform capitalism; indeed, some outside observers worry they may be manipulated by authorities and count as “productivity” the predictable results of social ills. In response to such worries, the social sciences and humanities are helpful guides, painting pictures of alternative futures. They try to explain events as a text to be clarified, debated, and argued about. They do not aspire to model our understanding of people on our understanding of atoms or molecules; nor do they promise the false precision of numerical estimates of well-being. These human sciences are not natural sciences, but are just as valid generators of knowledge and insight. They deserve a place in any plausible narrative of platform capitalism to come.