

Chronos Capitalism: failures of new capitalism

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Consider the transition that took place in the later twentieth century. Earlier, Schumpeter characterised two features of capitalism: private property ownership and the existence of financial markets, capable of channelling savings into innovation. In the late twentieth century it took on three further aspects: all revealing the dynamism of capitalism or the market system (the two are treated here as synonymous): all contributing to the failure of New Capitalism and leading to a Postmodern phase with an emphasis upon sustainability.

The emphasis of New Capitalism is on three additional aspects:

1. *Signs and symbols and images (Chronos capitalism)*
2. *Informationalism*
3. *Rejection of Statism²*

For completeness we should add the Schumpeterian conditions

4. *Private property*
5. *Financial markets³*

1. *Signs and symbols and images (Chronos capitalism)*

The first is the emergence of *Chronos⁴ capitalism*, a marriage of libido and anxiety that devours its own reproductions. The dynamism of capitalism creates enormous productive capacity, which can only exist without major recessions if demand keeps pace. The new phase of globalisation and global markets is only part of the process of demand creation. More fundamental, is the stream of symbols of insatiability and angst appearing in the way that global firms *image* themselves, their products and

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² The term Statism is borrowed from Manuel Castells. See Castells, M (1996) *The Information Society*, Macmillan London.

³ These two aspects are discussed in Schumpeter (1948) *Capitalism Socialism and Democracy*. For an exhaustive formal treatment of markets, general equilibrium see Arrow and Hahn (1970) *General Equilibrium*.

⁴ Chronos was the mythological God who ate his own children in fear of being overthrown. New capitalism driven by marketing and the new media depends on destroying the capability of its reproductions (products and services) to satisfy demand in order to create and maintain demand.

their relationships. Advancing technology creates an ever increasing succession of products (that must be devoured), and media symbols in advertising, marketing and promotion creates an appetite for more. The product becomes, not a means of satisfying desire, but a symbol of desire itself. The Market System devotes much of its energy to creating insatiable needs and aspirations. Individuals, groups or entire nations who lack the resources to contribute to demand creation are marginalised. Thus the Market System is incredibly dynamic but ultimately fails in its primary objective, to satisfy material wants because it is engaged in the reproduction of needs and wants rather than satisfaction of needs and wants.

Informationalism

One aspect of new capitalism is information. Information has always been the ultimate resource. In technology, however primitive, knowledge or information is the basic input. Nature's laws are turned into software: the information is locked into products and means of production; hydraulics, thermodynamics, electro-magnetism, gravitation, leverage become software embedded in products. Locking the information into products and processes enables the surplus it creates (through increased productivity) to be captured by its owners.

The modern global capitalist system can be seen as a gigantic messaging system of signals and response. The information content of products has increased, not only in consumption and production of goods and services, but through increasing concentration on producing information in the form of images and symbols.

If we define information as something that can be encoded as a message in the form of a string of 0's or 1's, it is interesting to see how some of the fads of modern management (BPR, lean manufacturing, JIT, best value, and the total quality movement⁵) are ways of cutting down the length of the message, cutting out noise, increasing the information content (efficiency) of the message.

⁵ TQM can be seen as a way of managing demand especially in B2B relations: managing demand by agreeing exact specifications enables firms to reduce working capital and facilitates JIT.

Suppose for example we consider a successful search for the most efficient message leading to the most efficient string of 0's and 1's (the minimal or most compact, string of capable of encoding the message). The firm or the economy that achieves the most compact string of symbols has leveraged its capabilities to the maximum: there are no further savings to be made. Of course such a state is not possible, but none the less firms seek to approach it through economies, cost savings and so on. The point is that a maximally compacted string, or even one approaching that state, has enormous possibilities for error because it contains so little redundancy⁶. When all redundancy is removed virtually any change is capable of causing catastrophic variation. The recent financial crises in corporations and entire states illustrate this vulnerability,

Rejection of Statism

Another aspect is the defeat of Statism. Perhaps for the first time a single system of economic organization, market capitalism dominates the globe. Statist systems are those entire systems like the former USSR in which the surplus created by the economic activities is distributed to the political class. Or else they are systems that have large state owned and administered sectors.

The clearest statements of the rejection of Statism are contained in the rules of international institutions such as the World Bank and the IMF. They include: privatisation of state owned assets, opening up national economies to capital and goods flows, and reductions in government debt and government financial deficit. Opening up national markets to capital and goods flow is one of the preconditions for globalisation and the creation of global demand. So rejection of Statism is allied to the need for demand creation in New Capitalism.

Statism has not been eliminated. In fact it has been resurrected in the form of planning by quality targets. This issue is discussed below in connection with Universities. The large number of targets set by local central and local government in the UK mean that we have substituted state ownership with a micro planning and control systems.

⁶ A single error in the string of digits utterly transforms the message in such a case. Similarly the maximally compacted firm, one with no redundancy, nothing to spare, is vulnerable to breakdown anywhere in the system. For example, a traffic system with no spare capacity, is vulnerable to gridlock.

Rejection of Statism and embracing the market system globally has led to the rejection of the ideal and the emergence of its opposites: fundamentalism, and reaction to capitalism, the emergence of *differance* in the form of a unity that is divided from itself⁷.

All three aspects of New Capitalism represent in different ways its ultimate failure. *Chronos* capitalism is a programme of creating needs that are designed to be insatiable and its ultimate dynamic is anxiety. Competition combined with information leads to organizations that extraordinarily vulnerable to shocks and insecurity. Rejection of Statism has resulted in the re-emergence of micro planning in the form of innumerable quality targets⁸. Much of the reaction to New Capitalism, is reflected in reaction to the super-state of New Capitalism, the USA. An irony of the system is that the super-state is the largest debtor in the international system, indicating an inability to create a surplus sufficient to satisfy its own exploding, needs wants and aspirations for wealth⁹.

⁷ For the analysis of *Differance* see Derrida, J. (1973) *Speech and Phenomena*, Northwestern University Press, Evanston.

⁸ See below.

⁹ Stock market growth led by the USA (especially the explosion of Nasdaq stocks) illustrates the argument in this section. Deregulated institutions connived in the irrational exuberance. See Brenner, R (2002), *The Boom and the Bubble*, Verso, London.