

# Gig Workers and Policies of Minimal Social Dislocation

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**Abstract:** My analysis of the process of digital platformization of economies is framed in Thorstein Veblen's theory of economic evolution and John R. Commons' concept of reasonableness. I conclude that digital platformization of economies is rooted in a deliberately decided liberalization of markets. The consequences of liberalization require a fundamental revision of economic policy and socio-economic institutions if one wants to create permanent jobs with good social security provisions, and/or to establish reasonable income/wealth differentials.

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**Key Words:** Veblen, Commons, libertarianism, American dream, digital platforms

The development of the Internet since the mid-1990s enabled digital platformization of economies. Digital platformization is the emergence of private and public firms which provide access to the Internet for carrying out transactions by the combined use of software, hardware, and algorithms—that is, sets of instructions embedded in codes to achieve certain goals. It entails the use of information technologies for: exchanging goods (e.g., through eBay or Amazon), cryptocurrency/tokens, currency and stocks (algorithmic and high frequency trading), and services (e.g., cabs through Uber); sharing goods (e.g., cars and bikes, or housing through Airbnb); distributing (dis)information and collecting data (e.g., through Google, Facebook, twitter, and Instagram), or; complying with government regulations through filing tax returns *casu quo* applying for public benefits/subsidies. Digital platformization challenges property rights if transacted assets such as lodges, cars, and work are unaccountably mediated, and if other assets such as digital data are extracted for free from *humans*. As such, digital data are values which differ from traditional corporal and intangible value which are based on respectively *capital* and *labor*.

Supporters of digital plaformization assume autonomous persons. They argue, among other things, that several workers prefer and deliberately choose for gig jobs—that is, for providing services to third parties on demand. These preferences should have resulted in about eight percent of American adults who are earning money by sourcing work with mobiles through the Internet in 2016 (Intuit 2010, 14, 20).

The rise of gig jobs is not technologically determined as would be suggested by approaching technology as an exogenous variable. The increase is rooted in deliberately enforced institutional changes towards liberalization of worldwide markets since the early 1980s.

### *Interaction Between Technology and Institutions*

Thorstein Veblen disagrees strongly with the neo-classical idea that persons act autonomously. He rejects the assumption that men are *given* beings who unscrupulously calculate and accumulate. According to Veblen, everybody is influenced by their institutional, technological, and cultural environment. Persons are institutionally and culturally embedded, while institutional, personal, and technological evolution endogenously evolve—that is, institutional change is an unpredictable consequence “of the dynamics of mutual influences between instincts (such as workmanship, parental bent and idle curiosity), institutions and the material and technological environment” (Brette 2003, 455-456, 460, 472-473).

Institutions “may be revised to meet the requirements of civilised men's knowledge” (Veblen 1919, 13). In line with this, Veblen argues that “institutions embody the goals and aims of action.” It is the inclusion of future in one’s action (Rutherford 1984, 346) that Veblen does not allocate a major role to deliberate decision-making “in determining or shaping the institutional structure” (Brette 2003, 460).

Contrary to Veblen, Commons allocates with his concept of reasonableness, that he has derived from jurisprudence, a major role to deliberate decision-making on institutions to shape present and

future transactions. Commons (1990, 636) qualifies the teleological character of institutions as matching a Darwinian evolutionary *artificial selection* of species, because deliberate decision-making on institutions “is Purpose, Future, Planning, injected into and greatly controlling the struggle for life.” Decisions on institutional change are made by institutionalized personalities, leaders, and organizers (Commons 1990, 874, 880). Institutionalized personalities are no mechanical uniformities, but “highly variable personalities. Instead of isolated persons in a state of nature they are always participants in transactions, members of a concern in which they come and go” (Commons 1990, 74). Decision-makers are formed by institutions. Deliberate decisions are steered by protocols and mission statements of social concerns and framed by cultures, such as *laissez faire*.

### *Political and Societal Presence of Libertarian Economics*

#### *Politics*

In the 1970s, neo-liberalism resurged *laissez-faire* policies that favor “entrepreneurialism, private property rights, free markets and free trade” (Corbett and Walker 2013, 452), and since the early 1980s, all Anglo-Saxon and Western European governments pursue a neo-liberal approach to economic policy with Trumpism, that has strong libertarian characteristics (Reich 2018), as the ultimate result.

Prime Minister Margaret Thatcher and President Ronald Reagan are two main characters who enforced a breakthrough to a liberalization of markets. Their policies are built on the ideas of famous economists. Friedrich Hayek influenced prime minister Thatcher (Corbett and Walker 2013, 463; Frazer 1982) and especially Milton Friedman’s neo-liberal ideology influenced Thatcher and her soulmate president Reagan. However, it is not only neo-liberalism that influenced Thatcher and Reagan. Some catchy libertarian ideas of Rand are embraced by Thatcher respectively Reagan.<sup>1</sup>

The influence of the economic ideas of the libertarian best-seller, anti-socialist and anti-communist Ayn Rand is relevant for understanding socio-economic developments, notwithstanding that hardly any politician fully adopts Rand's label, among other things, because of her radical atheism (Heller 2012).

The anti-communists Thatcher and Reagan rejected Keynesian policies explicitly and at least in name, respectively. They preferred policies of opening opportunities (chances for advancement/profit) for everyone, while both dissented from Rand's approach on specific issues. For example, Reagan's (1993) interpretation of the American dream as the dream "that every man must be free to become whatever God intends he should become" is at odds with Rand's analysis based on autonomous separate choice and her rejection of every belief in the authority of supernatural powers. The American dream is "that dream of a land in which life should be better and richer and fuller for every man, with opportunity for each according to his ability or achievement" (Adams 1941, 404). Opportunities, such as having access to "education and good jobs, healthcare and ownership. [... are embedded in] social, governmental, and corporate constructs" (Fountain 2019, 46).

The American dream of a richer and fuller life for everyone has become a widely known metaphor for a specific compilation of values, such as social mobility through the pathway of hard work and education (Hostetter, Sullenberger and Wood 2015, 134, 141), and for providing promising opportunities for upward mobility to "free" living persons without regard to persons. The associated protection of private property, private enterprise, competitive markets, free trade, free flow of information, and the rule of law are believed to be valuable for other countries to copy.

In the wake of the initiated policies by Thatcher and Reagan, Conservative and Republican politicians continue to promote privatization of public goods and services, deregulation by removing restrictions in industries, and free and open capital and trade markets through, for example, free trade agreements and liberalizing (short-term) capital flows.<sup>2</sup> Since the early 1980s, politicians think that these

policies are necessary to address pregnant economic problems, among other things, to cover the expected rise of social benefit costs due to the maturing “baby boom” (Spithoven, 1996; 2008).<sup>3</sup> It is hardly acknowledged that globalization limits the degree of sovereignty or democracy and vice versa (Rodrik 2011, 200-205).

Free trade and globalization are economic issues par excellence of libertarianism. Notwithstanding several economic successes, only few leading politicians or leaders of economic institutes declare themselves libertarians. An example of libertarian leaders is Alan Greenspan. Greenspan is a dedicated acolyte of Rand. He is appointed by Reagan as chairman of the Federal Reserve in 1987. In line with Rand’s ideas, Greenspan (2008, 134) believes in “the power of free markets” and strongly criticizes antitrust law. According to Greenspan (1972, 68), not the government but capital markets are “the ultimate regulators of competition in a free economy.” Namely, if “high profits are caused by *high prices*, rather than *low costs*, [a monopolist] will soon meet competition originated by the capital market.”

#### Society

In addition to conservative politicians, Rand’s libertarianism, as far as it is related to free markets and to her anti-communism, has an obvious appeal for traders on Wall Street and entrepreneurs in Silicon Valley (Stewart 2017).

On Wall Street, Rand’s ideology is represented in the “Goldman Rule: *pursue profitable opportunities regardless the effects on others*” (Watkins 2011, 363). The rule is justified with the argument that trading partners voluntarily and rationally pursue their self-interest and, as such, favor each other. These arguments legitimized, among other things, banks’ decisions to offer subprime loans to people who

could not afford the loans. Subprime mortgage loans are “rooted in Reagan’s and Clinton’s deregulation policies” (Spithoven 2017, 694).

In Silicon Valley, Internet platform operators and entrepreneurs, who are neither owners of assets nor accountable for the transactions and externalities, are inspired by Rand (Daly 2016). They spin yarn at libertarian policies that give free way to innovation and worldwide exploitation of assets. The capitalism they prefer is free of trusted third-party supervision and governed through (open) blockchains and information technologies. The development of electronic payment systems that are “based on cryptographic proof instead of trust” represent the libertarian philosophy in optima forma (Nakamoto 2008).

Silicon Valley is hailed as a place where people enjoy the American dream (Pellow and Park, 2002, 1). Examples of upward financial mobility through the Internet would suggest that the Internet is a vehicle that facilitates one of the promises of the American dream. However, there are caveats. Namely, not all Internet millionaires or billionaires follow the pathway of hard work and education. Some persons make it through behavior that bears “a striking resemblance to [that of] the robber barons of the late nineteenth century” (Greenspan and Wooldridge 2018, 355-356). Nevertheless, hope against hope and ignoring structural barriers to upward mobility (Hostetter, Sullenberger and Wood 2015, 135), the American dream even seems to provide comfort for excluded persons whose labor conditions are that worse that they must wrestle to keep their head above.

### *Social Dislocation*

The worsening of labor conditions started along with neo-liberal and libertarian inspired policies to change the institutional framework for temporary employing workers, whose share in the labor force is

on the rise since the early 1980s. Eventually, according to James Manyika et al. (2016, 26), twenty to thirty percent of the American and European workforce is engaged in independent work. Fifteen percent of the self-employed is working via Internet platforms. In the United States, the number of gig jobs has increased with 22 percent in the period 2005-2015 (Chen et al. 2017, 2; Katz and Krueger 2016, 8). In 2016, eight percent of American adults earned money by sourcing work through mobiles. Contractors or gig workers are not only low-level-know-how workers but include “freelancer, temps, part-time workers, contractors and other specialists. [...] By contracting directly with a business or through an agency [or computer application], these contract workers, increase business efficiency, agility, and flexibility. They also cost less and turn employment expenses into variable costs” (Intuit 2010, 14, 20).

Mediation of work through the Internet is done in a way that contribute to bigger income differentials: On the one hand, internet platforms “are advantaging those who already have human capital or physical assets”, while, on the other hand, they substitute regular labor by lower paid gig jobs, especially in lodging, transport, and retail trade (Schor and Attwood-Charles 2017, 1, 10). Substitution of regular jobs by gig jobs adds up to the threatening of regular jobs by illegal migrants who are employed in agriculture and construction. The result is a weakening of the negotiation position of labor.

Although platform entrepreneurs are gradually adjusting to local regulations, labor circumstances and payments of the gig work that is mediated via Internet platforms, leave still much to be desired (Zwick 2018, 684). Gig workers bear several market and social security risks. Results are stress of circumstances (living from hand to mouth), undermining of jobs with good social security provisions, and bigger income/wealth differentials.

Employment of lower paid gig workers, among which (illegal) immigrants (Smith 2016), and trade via Internet platforms endanger well paid middle-class jobs who are receiving a wage. First, Internet platforms undermine regular benefits (health and unemployment insurances, retirement benefits, maternity pay, holiday pay, and overtime payment) and contractors avoid costs of compliance with laws

and regulations (Zwick 2018, 681). Second, Internet platforms may require workers to provide their own capital equipment and accepting unilaterally determined per-piece pay rates (Stanford 2017). Third, trade via Internet platforms may substitute regular offline trade.

### *Minimizing Social Dislocation*

Small-government and free-trade agreements, free flow of capital, deregulation and privatization paved the way for the emergence of the digital platformization of economies and changes the playing field between capital and labor in favor of capital (Acemoglu 2019, 7; Shaffer 2019, 3). Big business and entrepreneurs, especially start-ups, are benefitted through these policies above workers whose institutional protection is weakened (Kalleberg 2011, 21).

The shift of power from labor to capital necessitates a public policy to guide economies towards jobs with good social security provisions and/or reasonable income/wealth differentials. In other words, power of capital should be diminished. Within western countries, balancing interests or, to speak in the spirit of Commons, establishing a consensual reasonable distribution, is rationally processed through procedures which respect mutual rights of different stakeholders within a long-term vision of what type of society one wants.

A tailored approach to the recent shift of power is required. The low payment of gig work erodes the power of unions to negotiate a better payment and better labor conditions position of regular workers. Though gig workers are unorganized, it is in the interest of regular unions to stand up for better labor conditions of gig workers and to end Veblenian exploitation of gig workers to balance individual short-term and long-term collective interests. Additionally, private ownership of digital behavioral data should become legalized. An update of Commons's reasonableness method might be advisable to cope with the reduction of humans to digital data.



Collaboration between interests is essential to address the platform economy in addition to other one-issue challenges such as robotization, aging of population, climate change, population growth, and development of new diseases. New institutional conciliatory and deliberative tri-partite or multi-partite bodies might be required to effectuate collaboration on the new socio-economic challenges, while the Covid-19 crises has brought into the foreground that prioritizing science over anecdote and feeling, and social responsibility of individuals are essential for effective policies. Trust in conciliating and collaborating authorities who represent interests may have profound impacts on the nature and success or failure of changed or new institutional arrangements.

Eventually, gig workers may become protected through legislation. “[P]rotection for workers and moderate minimum wages can promote high-wage job creation. A stronger social safety net will also encourage workers to seek jobs that are higher-paying and a better match for them (and thus more productive for society), without fear that they will go hungry while looking” (Acemoglu 2019, 7). Additionally, platform operators and platform owners should be held accountable and responsible for exploiting gig workers, who theoretically may opt out but are dependent on platforms because they need the money desperately. This demands a clear delineation of ownership and accountability, whereas selection processes through personalization (for example, time-based pricing) and reputation rankings may be restructured to meet social values. Because of specific characteristics of each sector, and because details may vary per company, each Internet platform ecosystem requires to be regulated per country and to be balanced with the sectoral meaning of regional values (van Dijck, Poell, de Waal 2018, 139-140, 145-146).

### *Conclusion and Discussion Notes*

Notwithstanding that serious scholars dismiss Rand's ideas, Rand has millions of readers, has inspired politicians, and has admirers and acolytes especially regarding to her ideas on free markets. Privatization in combination with deregulation of (international) markets, either or not inspired by Rand's ideas, fostered not only the creation of gig jobs in Anglo and Euro countries since the early 1980s, but also paved the way for adventurous and institutions-disrespecting Information and Communication Technology "cowboys" to develop, expand, and exploit assets via Internet platforms since the mid-1990s (Greenspan and Wooldridge 2018, 355-356). Exploitation of labor through the rise of gig jobs resulted in a decline of labor power relative to capital, while Internet platforms obtained monopoly power that is driven by indirect and/or direct network effects (Flew 2019, 5-6). The outcome of these diverging processes is the rise of unethical big personal income differentials. Though jobs with poor social security provisions and bigger income differentials are influenced by technological developments, technology did not determine them. Bad jobs and bigger income differentials are preceded and accompanied by deliberate changes in institutions that favor free markets.

In democracies, it are the representatives of stakeholders in coherence with internationally cooperating governments and it are not the internationally dominating large companies who should have power to control the economy (Pitofsky 2019, 8). By analogy with Commons' (1968, 313-314) multidisciplinary analysis, regulation of digital properties concerns a simultaneously transition:

- 1) in terms of economics, from regulating property rights, through choice of opportunities and exercise of power, to regulating control of providers of digital platforms through enforcing competition, taxation, and auditing of algorithms.
- 2) in terms of social psychology, from a focus on psychology of negotiation to a focus on profiling psychology—that is, a focus on self-marketing through social media and digital platforms.

- 3) in terms of law, from governance of principal-agent relations and social security to governance of computer-based algorithms (among which, its use, transparency, consent, incentivization, and auditing), and,
- 4) in terms of politics,
- 4a) from a focus on globalization to a rebalancing of sovereignty, globalization, and democracy towards less globalization, redistribution, and good social security provisions, and,
- 4b) from regulating persuasion or coercion to regulating of and assigning data property rights to humans and concluding international treaties to prevent cybercrime.

### *Footnotes*

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- 1) Rand strongly advocated a libertarian approach to economic policy. The essence of her (1996, 1070) philosophy “is the concept of man as a heroic being, with his own happiness as the moral purpose of his life, with productive achievement as his noblest activity, and reason as his only absolute.” In her approach, an entrepreneur can create anything he wishes (Rand 1996, 4). In line with this, she despises antitrust law because it penalizes being successful (Rand 1972, 19, 57).
  - 2) From Rand’s (1972, 19, 57) libertarian point of view, free markets provide an open playing field for independent persons who trade because both expect to gain from it. *Free* markets differ from *competitive* markets. Contrary to free markets, competitive markets are restricted by several institutional conditions, among which, the existence of several sellers and several buyers who want to maximize profit and utility, perfect information, and no discrimination.
  - 3) Rand’s ideas about money not only unconsciously reflected those of Jean-Baptiste Say ideas but also unintendedly catalyzed the revival Say’s supply-side economics in the 1980s.

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