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The new articulation of wages, rent and profit in cognitive capitalism

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Introduction

The current transformation of capitalism is characterised by a full-fledged comeback and proliferation of forms of rent parallel to a complete change in the relationship between wages, rent and profit. Theoretically and politically, this evolution has been interpreted in different ways.

According to a widespread opinion in the Marxian theory deriving from Ricardo's political economy, rent is a pre-capitalist legacy and an obstacle to the progressive movement of capital's accumulation. On this premise real, pure and efficient capitalism is a capitalism with no rent.

A similar view wholly substitutes the key role of ground rent with that of financial rent to interpret the crisis of Fordist modes of regulation and the atonic growth that since the 1980s has characterised the EU. This view claims that the meaning of the current crisis lies in a conflict between, on the one side, a tendency of financial capitalism towards rent, and on the other the 'good' productive capitalist defence of a logic of accumulation that favours the growth of production and employment.

As the analyses of several economists of the Labour Left in France and Italy suggest, this interpretation leads to the proposal of a sort of neo-Ricardian compromise between wage labour and productive capital against the power of finance. Such compromise would allegedly bring stability back into the hegemony of the managerial capitalism of Fordism, alongside the necessary conditions for a growth that approaches full employment; all of this in a context of significant continuity with Fordist modes of labour organisation and regulation of the wage relation.

In our opinion, this reading is mistaken on two accounts:

• It is mistaken on the role of rent in capitalism because it regards it as a category that is external to the movement of capital and opposed to the category of profit;

• Its denunciation of the return and perverse effects of rent is disconnected from any analysis of the underlying transformations that, following the crisis of Fordism, intervened to shape the forms of division of labour and the capital-labour relation. As we shall see, these transformations determined the demise of the industrialist logic that underpinned neo-Ricardianism and Ricardian-Marxism, leading to an increasingly pronounced tendency towards rent of productive capitalism itself.

In this respect, our analysis supports a radically different hypothesis that may be summed up in two main propositions:
Since its historical inception during the process of enclosures, capitalist rent has been the other face of the common. It is the outcome of a process of expropriation that is the starting point and essential feature of the reproduction of capital over time and space;

In our view, rent represents not only the starting point but also the becoming of contemporary capitalism. Why becoming? Because as the law of value-labour time is in crisis and the cooperation of labour appears to become increasingly autonomous from the managerial functions of capital, the very frontiers between rent and profit begin to disintegrate.

In other words, as a result of the crisis of real subsumption, profit and rent tend to manifest themselves merely as a relation of distribution that is mostly dissociated from any positive function within the organisation of production and wealth generation. Concomitantly, the unified cycle of industrial capitalism under the hegemony of productive capital has entered a period of crisis, and we are now witnessing the return of a mercantilist and financial logic that is reminiscent of pre-industrial capitalism and of the formal subsumption of labour under capital.

To demonstrate our hypothesis, this article is divided in two sections: in the first section we are going to examine the definitions of the categories of wages, rent and profit, and claim that the lines separating rent from profit are flexible and mobile both theoretically and historically. To illustrate this point we rely on suggestions found in Marx's Capital volume III, where he drafts a theory of the becoming-rent of capital that provides new insights into the related theory of the general intellect.

In the second section we will provide a synthetic framework for the interpretation of transformations of the labour-capital relation that led simultaneously to an increase in the power of rent and the collapse of a distinction between rent and profit in the transition from industrial to cognitive capitalism.

I. Wage, rent and profit: a few definitions.

According to Marx, wage, rent and profit are the three major categories of the allocation of revenue emerging with capitalist relations and like them they are historical. In this perspective we will here try to produce a few conceptual tools to understand transformations in the articulation of wage, profit and rent within contemporary capitalism, focusing on this last category in some depth.

From a logical point of view let us start with wages. Why? For the simple reason that in capitalism the wage designates the remuneration of productive labour, i.e. the labour that produces the surplus-value that is at the origin of the production of both profit and rent. As Marx has already pointed out about the factory, this surplus-value is not intended as a simple sum of the individual surplus-labour of each wage labourer, but also as the gratuituous appropriation of the surplus generated by the social cooperation of labour. This is a crucial aspect of the analysis to follow, as it becomes important to rethink the concepts of wage, productive labour and exploitation in a framework where this cooperation is no longer confined within the factory but extended to the whole of society, as it organises itself more and more autonomously from capital.

After wages, we are going to examine rent and profit as the forms of revenue through which the product of this surplus-labour is appropriated. At the level of theory, the notion of rent is very complex. We would like to suggest a
definition that starts from three closely related aspects that will enable us to account for its role in the reproduction of productive relations as well as in the relations of allocation that are the other side of it.

From the standpoint of the relations of production, the first aspect is used to chart the genesis and essence of capitalist rent as the result of a process of expropriation of the social conditions of production and reproduction. The formation of modern ground rent coincides with the process of enclosures, the first expropriation of the common that was the ‘preliminary and sine qua non condition’ for the transformation of land and labour power into fictitious commodities. We can already draw a theoretical lesson on this premise: the varying significance of the role of rent in the history of capitalism is closely linked to what, following K. Polanyi, can be defined as the historical alternation of stages of de-socialisation, re-socialisation and then new de-socialisations in the economy. Therefore, similarly to ground rent in the epoch of primitive accumulation, the different forms assumed by rent throughout the history of capitalism always tend to lead to the privatisation of the social conditions of production and the transformation of the common into fictitious commodities. Here we identify a common trait that subsumes under a single logic both the first land enclosures and the new enclosures based on knowledge and life. It is possible to apply this analogy to the role of public debt in the first stage of primitive capitalist accumulation at the time of mercantilism, as well as the large role that the privatisation of currency and public debt have played in the development of financial rent and the destabilisation of the institutions of the welfare state in the current historical conjuncture.

The second aspect of rent is the following: the resources on which the appropriation is based do not generally tend to increase with rent, quite the opposite. In other words, to cite Napoleoni’s definition, rent is ‘the revenue that the owner of certain goods receives as a consequence of the fact that these goods are, or become, available in scarce quantities [...]’ (Napoleoni 1956). Rent is thus linked to the natural or, more frequently, artificial scarcity of a resource, i.e. to a logic of rarefaction of such resource, as in the case of monopolies. Therefore the existence of rent is based upon monopolistic forms of property and positions of power that allow for the creation of scarcity and the imposition of higher prices that are justified by the cost of production and the result of institutional artefacts, as shown today by the policies of reinforcement of Intellectual Property Rights.

Finally, in its third aspect, unlike ground rent, capitalist rent can be seen as a pure relation of distribution, because it no longer has any ‘function, or at least any normal function in the process of production’ (Marx, Capital, volume III, chapter XXV). In other words, rent presents itself as a credit or a right to the ownership of some material and immaterial resource that grant a right to drawing value from a position of exteriority in respect to production.

On this basis we can now turn to profit and the criteria that distinguish it from rent, which are much less evident than is normally thought. To this end, it is useful to return to the example of ground rent, which consists of the remuneration of the land owner by means of the use of the land he owns. In this sense, according to an idea inherited from the classics, rent can be regarded as what is left once everyone who contributes to production has been remunerated. Noticeably in this conception everything depends on one’s understanding of ‘contribution to production’ and of ‘who contributes to production’, so if we accept the classical and still valid definition of profit, profit is the remuneration of capital and requires the obtainment of a revenue that is proportional to the mass of capitals invested in production.
As Smith has already pointed out, profit as such has nothing to do with the retribution of the functions of coordination and surveillance of production carried out by the entrepreneur or company executive. Given this, one could also regard the remuneration of capital as rent, like the remuneration of land, because the owner of capital can easily limit himself to providing the means of production without putting them to work in person.

For this reason, from the beginning of its history economic theory has been traversed by a huge theoretical bagarre trying to sharply distinguish between rent and profit. Without spending too long on this debate, the most serious arguments made in favour of this distinction seem to be the following.

- The first concerns the internal character of capital with respect to the process of production, as the necessary condition for the management and organisation of labour. This interiority rests on the correspondence between the figure of the capitalist and that of the entrepreneur, as well as on a managerial logic embodied in productive capital and playing a key role in the management of production, innovation and the expansion of productive capacity. In both cases, the interiority of capital presupposes a distinct opposition between conceptual labour (an attribute of capital and its functionaries) and the labour of banal execution (an attribute of labour);

- The second argument claims that unlike rent profit is essentially reinvested in production and plays a positive role in the development of the productive forces and the struggle against scarcity.

As we will see, the realisation of these two conditions for operating a distinction and opposition between rent and profit is nothing but the transient outcome of a period in capitalism, that is that of industrial capitalism. More specifically, these were only fully realised during the golden age of Fordist growth, when the logic of the real subsumption of labour under capital and that of mass production come into being. These distinctions become increasingly blurred in cognitive capitalism. Before elaborating this point of our analysis, in the second part of this article it will be useful to embark on a short theoretical drift through Marx, when he outlines the theory of rent in the third volume of *Capital*.

I. 1 From Capital volume III to the general intellect: Marx’s theory of rent.

In several of his writings, Marx seems to share these two criteria for distinguishing between rent and profit for two main reasons:

- Like the classical economists, in the analysis of capital in general (volume I and II), Marx seems to assume that the industrial capitalist owns his own capital and manages his enterprise, which in fact was often the case at the time of the writing of *Capital*. The industrial capitalist thus seemed to be opposed to the figure of the rentier [money-capitalist] in so far as he was directly involved in the relations of production and made investments towards the development of the productive forces (and the reduction of scarcity of capital);

- The second and more important reason is that Marx's thought operates within the framework of a tendency towards real subsumption, where, in his words, the purely despotic functions of production and the objective functions of the capitalist organisation of production seem to merge. This convergence depends on how far the embodiment of science in fixed capital and the separation of conceptual from executive labour provide the management of capital with an objective foundation inscribed in the very materiality of the productive forces. For this reason Marx claims that 'the capitalist and the wage labourer are the
only two agents of production' whilst 'the land owner, an essential agent of production in the ancient and medieval world, is a useless excrescence in the world of industry' (Marx, *Theories of surplus value*, volume II).

In volume III of *Capital*, whilst developing his analysis of capital as the bearer of interests and profits of the enterprise [UnternehmergeWINN], Marx questions the terms of the opposition between profit and rent which limits the definition of the category of rent to ground rent only. He takes this reasoning further and eventually comes to consider the becoming rent of profit and capital ownership. In order to do so, he introduces a conceptual distinction between two determinations of capital, namely ownership and function [performing capital], and links this distinction back to that between interest as revenue from capital ownership and the active profit of the entrepreneur who manages production. On this premise he goes on to develop two complementary theses.

The first concerns the manner in which the tendency of development of credit and stock companies was leading to a deep separation of capital ownership from its management. According to Marx, capital ownership was following a similar path to that of ground rent in the shift from feudalism to capitalism: as if to say that it was becoming external in relation to the sphere of production and, like land ownership, capital ownership was extracting surplus value whilst no longer exercising any function in the organisation of labour.

Thus 'only the functionary remains and the capitalist disappears as superfluous from the production process' (Marx, *Capital* volume III, chapter XXIII). Thus Marx distinguishes between the passivity of the ownership of capital and the active character of the performing capital that as a result of the separation of property from management becomes increasingly embodied in the figure of the manager, where the functions of leadership and exploitation of labour take on the false appearance of a wage labourer practicing conceptual and organisational tasks in production.

In many ways, here Marx anticipated Keynes's analysis of the crisis of the 1930s, the general theory where the figure of the entrepreneur is opposed to that of the speculator and that explicitly extends the concept of rent to the ownership of capital. On this basis Keynes forecasted the euthanasia of the rentier and the progressive disappearance of the additional oppressive power held by the capitalist in the exploitation of the value embedded in capital because of its scarcity. In fact, Keynes claimed that 'Interest does not pay real sacrifice today, any more than ground rent does' (TG, *Notes finales*, chapter 24, p. 369).

However, in volume III of *Capital* Marx went further than Keynes and profiled a situation where the rentier and parasitical character of capital becomes associated to productive capital itself. In fact, the second hypothesis concerns an evolution of the capital/labour relation where the position of exteriority of the ownership of capital from production goes hand in hand with a crisis of real subsumption linked to the workers' process of reappropriation of knowledge.

In this framework, Marx tells us that the coordinating functions of the manager's production, of the functionary of capital, becomes superfluous too and thus appear to be purely despotic when confronted with a productive cooperation that is capable of organising itself autonomously from capital. On this issue, Marx quotes a passage from Hodgskin - who would be largely influential in the development of his theory of the general intellect - where he claims that 'The wide spread of education among the journeymen mechanics of this country diminishes daily the value of the labour and skill of almost all masters and employers by increasing the number of persons who possess their peculiar knowledge' (p. 30, Hodgskin, *Labour Defended Against the Claims of*
Capital, etc., London, 1825), thus making the managerial and intellectual functions exercised by capital increasingly redundant. To conclude our digression, we would claim that this theory of capital-rent, merely drafted in volume III, acquires strength and theoretical and historical relevance in the context of a thesis on the general intellect for two main reasons:

- Confronted with the emergence of a diffuse intellectuality, the Hodgskian thesis on the improductivity of capital becomes an attribute of the whole of the functions of capital (ownership and performance). In this framework, Marx claims that 'even the last pretext for the confusion of profit of enterprise and wages of management was removed' and the latter 'was revealed also in practice as it undeniably appeared in theory, as mere surplus-value, a value for which no equivalent was paid, [like rent] as realised unpaid labour'.

- In an economy based on the driving role of knowledge the law of value founded on labour time is in crisis. One of the implications of this crisis is that in so far as the directly necessary labour time for production is now very weak, there is a risk of a drastic reduction of the monetary value of production and its related profits. As a result, in an attempt to forcedly keep the prominence of exchange value in place and guarantee profits, capital is led to develop mechanisms of revenue based on the rarefaction of supply.

To sum up, with an extraordinary power of foresight, the development of the analysis of volume III of Capital, together with the Grundrisse, helps us see how from the standpoint of the objective as well as the subjective conditions of production, the becoming rent of capital was inevitable. Yet Marx does not make this association because his hypothesis was only a potential becoming and a tendency situated in the long run at the time, and quite rightly so.

After his death and despite the turbulence and expansion of financial rent that characterised the historical period between the great depression of the end of the 19th century and the crisis of the 1930s, the framework for the development of industrial capitalism was still largely characterised by a deepening of real subsumption.

II. From industrial to cognitive capitalism

Let us now turn to the analysis of changes in the relationship between wages, rent and profit in the historical shift from industrial to cognitive capitalism.

II.1 The marginalisation of rent under Fordism.

After the crisis of 1929 and during the post-war period, rent was progressively marginalised as industrial capitalism - directly involved in the creation of surplus-value - became hegemonic. Three main factors explain this marginalisation in the golden age of Fordist growth:

- A whole series of institutional dispositifs geared to regulate the financial market, the progressive taxation of ground rent and the management of the supply of currency was in place; this limitation of the power of property ownership favoured a process of inflationism and very low real interest rates.

- In the leading firms involved in mass production, the development of Taylorist and Fordist principles of labour organisation facilitated the accomplishment of a trend to separate conceptual from executive labour. Thus the hegemony of managerial capitalism in Galbraith’s sense could be established. Here we underline the power of a technical structure that grounded its legitimacy on its
role in the planning and development of innovation within the organisation of production (around the white collar offices and laboratories of research and development). This resulted in a managerial logic that relegated the interests of the share holders and other ‘unproductive’ modes of capitalist valorisation to a secondary role.

- Consistently with this logic of accumulation centred on fixed capital, the role of Intellectual Property Rights was very limited. In this framework the repartition of rent hinged on the conflict between wages and profit, or, more precisely, between the profit of the company and the dynamics of wages that, albeit becoming increasingly socialised, found its main drive in the large Fordist enterprises. Rent featured in a secondary role, especially in relation to the increase of ground rent taxation that was connected to urbanisation following a logic that almost defied that of profit. As evidence of this we recall Agnelli’s proposal at the beginning of the 1970s to form a neo-Ricardian alliance between patronage and trade unions against the urban rent which he believed to be responsible for the inflation of wage rise demands in the Hot Autumn.

II.2 The return of rent in cognitive capitalism

This arrangement was threatened during the social crisis of Fordism and the development of cognitive capitalism. Our times are characterised by a proliferation of forms of rent concomitant with a blurring of the distinction between rent and profit. In new capitalism, profit rests increasingly on two mechanisms, related to what, following J.M. Chevalier (1977), may be defined as the ‘improductive valorisation of capital’.

- The first mechanism concerns the key role of different forms of property (shareholders’ ownership of patents) and credits that correspond to as many rights to collect part of the generated value from a position that is external to production.

- The second mechanism consists in the way direct command over the process of production tends to be substituted by command over markets, and this occurs both through the constitution of monopolies and capital’s ability to find the appropriation of generated value outside of the company borders by imposing itself as an intermediary between labour and markets in the pursuit of a logic that is reminiscent of that of the putting-out-system. More importantly, this exteriorisation of capital with respect to production concerns both the organisation of labour within companies and their relationship with the outside.

Two trends follow the tendency outlined in our thesis.

First, the main source of value now resides in knowledges that are mobilised by living labour rather than fixed capital and the routine labour of execution. In so far as the organisation of labour becomes increasingly autonomous, white collar offices either disappear or become the avatar of times past. In this framework, control over labour no longer takes on the Taylorist role of direct allocation of tasks; it is mostly replaced by indirect mechanisms based on the imperative to deliver, the prescription of subjectivity and a pure and simple coercion linked to the precarisation of the wage relation.

Second, with the shift towards a cognitive division of labour, business competitiveness increasingly depends on external circumstances and on their ability to seize the rent linked to a differential productivity that arises from a location in terms of its knowledge resources and the quality of its education system and public research. In other words, contrary to the Smithian model of industry based on the central role of the technical division of labour in the
factory, the source of the ‘wealth of nations’ rests on a productive cooperation that is external to the company grounds.

Two conclusions can be drawn from this analysis:

Firstly, the very concept of productive labour and wages ought to be rethought to integrate the complex temporality and activity that exceeds the official times of the labour of execution within companies;

Secondly, as Paulré observes, large companies are today essentially concerned with their financial architecture and ultimately seem to occupy themselves with everything but the direct organisation of production. To paraphrase Veblen’s prophetic expression, ‘large companies have become a place of business rather than of the creation of industry’, and in this respect company profits could increasingly become assimilated to rents.

At this stage of our reflection and before embarking on a more detailed analysis of different forms of rent, the following question arises: what is the new role of rent, not only at the level of the sphere of distribution, but also in the expropriation of the common and the regulation of the capital-labour relation in cognitive capitalism? To answer this question, a crucial political and theoretical point needs to be made, that is, there is a contradiction, if not actual antagonism, between the logic of cognitive capitalism and the dynamics of collective creation and emancipation that lie at the origin of the development of an economy founded on the crucial role and spread of knowledge.

In our opinion, the point of departure and main feature of the current transformation of capitalism are neither financialisation nor the IT revolution; at the core of the crisis of the Fordist relation lie two phenomena:

- first and foremost, the constitution of a diffuse intellectuality generated by the development of mass education and the rising of the average levels of training. This new intellectual quality of labour power brought about the affirmation of a new prevailing quality of living knowledge, which labour incorporates and sets into motion in relation to the knowledge embodied in fixed capital within the managerial organisation of companies.

- secondly, the social conflicts that led to the spread of social income and welfare services incompatible with the Fordist model. This dynamic has often been interpreted as a simple factor in the crisis of Fordism, given the increase of the cost of reproduction of labour power, but a posteriori we can see that in fact it provided two crucial conditions for the development of a knowledge based economy, for the following two reasons:

  - contrary to a widespread idea, the social conditions and real leading sectors of the knowledge based economy are not found in the private laboratories of R&D, but, quite the opposite, in the institutions and collective production of the welfare state (health, education, public and university research, etc.);

  - the spread of social incomes (pensions, unemployment benefits, etc.) attenuated the coercion of the wage relation and gave access to mobility and selection amongst different forms of labour and activity (even though this is increasingly questioned today). In other words, the spread of social incomes corresponded to a freeing up of time (subtracted from capital) that, from the standpoint of the development of a knowledge economy, presents itself as
immediate power of production.

Finally, the conditions of development of an economy founded on the spreading and driving role of knowledge lie in the power of living labour. These conditions preceed and are opposed to the advent of cognitive capitalism from the historical as much as the logical point of view.

Cognitive capitalism is the outcome of a process of restructuration through which capital tried to regain control and suffocate the emancipatory potential inscribed in the development of diffuse intellectuality and an economy based on the centrality of knowledge.

This restructuring rests upon a new process of desocialisation of the economy and a new phase of primitive accumulation of capital developed according to a logic that has four main goals, in spite of their contradictory character in relation to the social and institutional conditions that would allow for an efficient management of the knowledge economy.

First goal: to adapt the forms of value appropriation to a situation where the cognitive and intellectual dimension becomes predominant. Thus financialisation is not only the product of a change in the power relations between managers and stakeholders, but also largely results from an endogeneous change in the logic of valorisation of large industrial groups. All this occurs as if to the movement of autonomisation of labour cooperation corresponded a parallel movement of autonomisation of capital in the abstract and eminently flexible and mobile form of money-capital.

Second goal: to enlarge the market sphere through a progressive colonisation of the common goods of knowledge and life by means of strengthening Intellectual Property Rights.

In fact, in so far as the marginal costs of the production of a large number of intensive knowledge goods are practically nil, these goods ought to be conceded almost freely. Here we find one of the main manifestations of the crisis of the law of value. In this framework, the production of a system of property rights that allows for the artificial construction of scarcity in terms of resources and rent becomes the key dispositif of capital and is effected according to a logic that translates into a clamp on the process of circulation and production of knowledge.

This situation contradicts the very principles of the founding fathers of economic liberalism for the justification of property as an instrument to fight against scarcity. This is what Marx would characterise as a strategy that aims to forcibly maintain the domination of exchange value against the wealth that actually depends on abundance, use value and hence freedom (as gratuity).

Third goal: to destabilise the institutions of welfare and accentuate the precariousness of the wage relation, because the reinforcement of the economic coercion into wage labour becomes an essential condition for controlling and putting to work an increasingly autonomous labour power at the level of the sphere of production. This is one of the manifestations of the crisis of real subsumption and as in other cases, in this the process of desocialisation of the economy went hand in hand with the development of rent. Suffice it to mention the way through which the privatisation of public debt, with the abrupt shift from a politics of low or negative interest rates to positive interest rates, favoured a formidable transferral of rent from debtors to creditors, from social income to the stakeholders of public debt. At the same time, it made it possible to exercise great pressure with the aim of minimising the burden of
welfare expenditure and giving the crisis the semblance of an objective economic and financial crisis that was linked to a structural lack of resources.

Fourth goal: to break the unity of the figure of production of diffuse intellectuality and of the collective labourer of the general intellect and determine an artificial segmentation between two components of labour power. In this dualistic model, the first sector involves an elite of intellectual labour specialised in the more lucrative activities of the knowledge economy such as the financial services to business and research activities geared to the obtainment of patents. This sector of the labour force enjoys recognition for its competence and its income is increasingly integrated to a participation to the dividends of financial capital as well as the advantages linked to the protections guaranteed by a system of private pension funds and insurances. The second sector consists in a workforce whose qualifications are not recognised. The workers in this category end up subjected to a phenomenon of ‘downgrading’, i.e. a devaluation of wage and employment conditions in relation to the knowledge and competence effectively put to work in their professional activity. This sector is not only meant to ensure the neo-Taylorist functions of the traditional and new standardised sectors, but also and above all the more precarious employment of the new cognitive dimension of labour.

We finally note that this artificial segmentation of the labour market and the inequalities of wage distribution (linked to what could be called wage-rent) thus constitute a powerful mechanism of territorial and metropolitan fragmentation of the labour force that is closely related to the crucial question of rent from housing.

Conclusion

Three lessons can be drawn from this analysis of the new articulation of wages, rent and profit:

1) In cognitive capitalism the borders between rent and profit disintegrate and this largely corresponds to the realisation of the tendencies identified by Marx in volume III of Capital and in the hypothesis of the general intellect.

2) In this framework, the role of rent not only is a modality for the collection of the wealth generated by labour, but also inextricably constitutes a mechanism of desocialisation of the common and of political, spatial and socio-economic segmentations of labour power.

3) The strong return of rent goes hand in hand with the development of productive labour in cognitive capitalism, and of the wages that ought to incorporate the whole of the social times that participate to the creation of surplus value captured by capital. The proposal of a guaranteed social income takes on its significance at two levels: on the one hand, in the modes of its financing it corresponds to a logic of reappropriation of capital as rent; on the other hand, from the point of view of the development of a knowledge based economy, it simultaneously presents itself as a collective investment of society in knowledge and a primary income for individuals, a real social income that directly stems from production.

Translated by Arianna Bove

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