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FACEBOOK AND THE CIRCULATION OF CAPITAL

THE RENTIER SUPPLY CHAIN OF SOCIAL MEDIA
MARKETING

by

Axel Sievers

Department of Human Geography
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Examiner: Anders Lund Hansen
Supervisor: Mads Barbesgaard

Abstract

Digital space is a novel form of spatial expression which have been core to the business model of some of the largest firms within the 21st century. Mobilizing tools from geographical political economy, Facebook and the core function of its digital space is critically analyzed, along with how value is distributed along the advertising supply chain. Facebook, through its continual expenditure on use-values in its digital space aims to capture its user within its framework of socio-technical services. The production of digital space rests upon the material infrastructure (server hall, cable networks), the ideological production (data, algorithms), and the everyday life of the online user to establish a rentier condition. Enclosing the user as such gives an advantage over competing firms, establishing an ownership over the access to the condition of production of digital space.

To analyze these processes in the concrete, a specific online advertising campaign on Facebook by a Swedish firm is examined. The study traces the supply chain of the online advertising campaign through Quentin and Campling's (2018) Global Inequality Chain analysis. The supply chain originates in surplus value extracted from manufacturing in Slovakia by a Swedish producer in Halmstad. Throughout the campaign, several urban cores in Sweden capture value through unproductive services used to optimize digital advertising but the majority, however, is captured by Facebook and rerouted out of Sweden to Ireland. Value capture within Facebook's supply chain emphasizes the urban, while both the production of the commodity, and (material) digital space itself (the server hall in Luleå) captures low amounts of value.

The corporate entity of Facebook is reliant upon appropriation of external industries surplus value and is consequently a facilitator of the social relations of production those goods originate in. The profit flow of Facebook is an extension of the hierarchical interfirm relationship of value capture between the brand owning individual capital in Halmstad and the productive Slovakian individual capital. The digital economy of Facebook is as such the continued facilitation of the social relations of production already present in external industries, and is not revolutionary in any other way than its effectivization of certain aspects of capital circulation and mobility.

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1 Introduction

Digital technology is present in some shape or form in nearly all aspects of everyday life. Bills are paid online. The workplace is being digitized, and so is finding a job or studying. Similarly, communication with friends and family happen through social media on a regular basis. Being connected and taking part of the digital world becomes of increasing importance. At the same time, data is gathered in huge quantities through the same applications used for services, data which on an aggregated level can predict patterns of individual behavior and make marketing more effective. Everyday life becomes digital life, both as we move through digital space and as we become digitized as data.

In this age of the digital, wherein the use of digital services is becoming fundamental to many activities which underpin and support the life of individuals all across the globe, a couple of key tech firms have reached a dominant position on the world market. The rapid emergence of novel digital platforms like AirBnB and Uber during the last decade has only been matched by the enormous growth of already established giants such as Facebook, Amazon and Alibaba (Sadowski, 2020). Firms whose value is heavily concentrated into US and China, and for whom the immateriality of their business model enables them to span vast territories without physical presence (UNCTAD 2019, p.p. 18). Listing the ten highest valued firms of 2020 – ranked by market capitalization – seven has as a core part of its business model a form of digital platform service (Szmigiera, 2021).

Understanding where and why value is captured in this context is crucial, both in a macro and micro economic sense. Because value as a measurement distinguishes between creator and capturer of value it brings into the analysis the economic dependencies which can emerge between nations, economic sectors and individuals (UNCTAD 2019, p.p. 23). Despite the great size of the firms, the political economic analysis of them has been lacking. As capitalism develops, understanding the purpose and function of emerging actors is key to understanding the expression novel firm structures takes within the social relations of production. The digital economy, spearheaded by firms such as Facebook, needs to be examined as its protruding role within the contemporary economy has become undisputable. Questions such as: Where is the value distributed along the supply chain of a digital platform like Facebook? Which localities can capture

it and why? What function, that is so profitable, do they possess in relation to their clients? requires more attention.

At an international scale, the UN and EU has been concerned with the uneven distribution of resources concerning the digital behemoths (see UNCTAD, 2019; and Schwab and Hlaváček, 2021). Tax avoidance schemes begs the question of how to approach the immaterial business model of firms such as Facebook from a policy perspective (Dischinger and Riedel, 2011). I argue that the lack of an objective value theory hinders the understanding of the business model of Facebook and similar firms. The idea of adding value through, what is here theorized to be unproductive services or rentier structures, distorts the understanding of the function of the tech firms as facilitators of capital circulation.

Answering these questions require an understanding of the core business function of the firm. The products of digital platforms are everywhere and occupy everything from mundane spaces of social interactions to key communication tools used both privately and professionally. Therefore, the intent and purpose behind the business model of the digital platforms must be critically examined to understand their impact as capital circulates through them. Facebook is a firm which epitomizes this distinction between a constant presence in the everyday life of individuals and a highly abstracted yet successful business model. The interplay between the production of (digital) space of Facebook and their revenue stream carries interests not only in the specific case of Facebook, but for an emerging industry revolving around the manufacturing and processing of data. As Facebook continuous to increase its size, more use-values and more users become enclosed within their digital space and novel ways of analyzing data emerge. How and where does the value end up when Facebook use its platform for advertising?

The study traces the profit of Facebook to reveal's aspects of their core business model. It follows the revenue flow originating in external commodities and the relations of value capture emerging through Facebook revenue stream. The study does so through a supply chain analysis of a firm in Halmstad buying advertising space on Facebook. To reach beyond the immaterial fetishism of the digital and situate the materiality of Facebook in relation to its concrete relations of production, the advertising campaign is followed from surplus value extraction in Slovakia to value capture in Swedish cities until it ends up as profit for Facebook. Tracing capital through its different forms, will

highlight the dependencies and hierarchies which exists within the economic function of Facebook.

1.1 RESEARCH QUESTION

- *How is the business model of Facebook organized and what does this entail for the distribution of wealth through its advertising supply chain?*

Three operationalizing questions are used to answer the research question:

- 1) How is the digital space of Facebook produced and how does it turn a profit?
- 2) Why does the firm in Halmstad purchase the advertisement service and how do they expect to turn a profit?
- 3) Where is value produced and where is value captured when the Halmstad Firm purchases the advertising space of Facebook?

1.2 OUTLINE

This thesis aims at investigating the distribution of wealth along the supply chain of Facebook. The study centers around a supply chain analysis of a Swedish firm located in Halmstad, which between the 18th of November and 18th of December 2020 conducted an online marketing campaign via Facebook. The study traces this capital flow through different localities and individual capitals to understand the different functions and impacts of the digital space of Facebook.

PART I – THEORETICAL DEVELOPMENT OF FACEBOOK’S DIGITAL ECONOMY

Chapter 1 introduces the subject, presents the research question, and outlines the thesis.

Chapter 2 situates the study within current political economic theory and outlines the theory development that has been made so far.

Chapter 3 formulates the theoretical foundation of the thesis. Using a combination of Marx and Lefebvre to formulate the ontological and epistemological position from where the more specific aspects of the theoretical framework are constructed.

Chapter 4 details the theoretical framework of the thesis. It argues that the digital space of Facebook builds a rentier framework dependent upon the individual user as a condition of production and require continuous capital investment into digital space to enclose the user within their framework of use-values and services. From there, it is argued that Facebook's sole function is the facilitation of capital circulation, and as such captures surplus value of the commodities it helps to realize.

PART II – TRACING THE PROFIT OF FACEBOOK

Chapter 5 details the methodological selection of the empirical material using global inequality chain analysis. It is a heuristic method, used to operationalize the theory by identifying relevant units of analysis in the empirical material.

Chapter 6 analyses the online advertising campaign conducted by the Halmstad Firm in several different steps. **6.1** details the internal composition of the Halmstad Firm, and the appropriation of value created by labor in Slovakia. It identifies a hierarchical firm structure which captures value produced in Slovakia within Sweden. **6.2** concerns the formulation of the advertising campaign on the national scale in Sweden, wherein the Halmstad Firm employs the services of an advertising firm to formulate parts of the campaign. It gives an account of the flow of capital towards urban cores in Sweden, and the value capture of unproductive services in relation to the productive activities in Slovakia. **6.3** examines the capital flow captured by Facebook within the advertising campaign. **6.3.1** more specially dives into Facebook's business model and examines how and why Facebook constructs its digital space. **6.3.2** examines the international distribution of value captured in the campaign by examining the firm structure of Facebook. It argues the distribution of value to be inclined towards being captured in urban cores. The value capture is then put in relation to Facebook's own production of digital space, which uses an international firm structure to produce where its cheapest and move taxation towards profitable locations.

Chapter 7 concludes the thesis by emphasizing the materiality of Facebook's business model, as it is based in the social relations of production of external firms. It defines Facebook's character as unproductive, and its successive value capture from external industries by using online space to establish a rentier condition and offer the service of capital circulation. Furthermore, it points to the geographical distribution of value, which entail a capture of value within urban cores throughout the advertisement campaign.

PART I
THEORETICAL DEVELOPMENT
OF FACEBOOK'S DIGITAL
ECONOMY

2 CURRENT TRENDS WITHIN POLITICAL ECONOMY OF THE INTERNET

Digital platforms, as a manifestation of the peak of 21st century economic success, is but one of many representations of capital. The field of political economy has since the 18th century, with roots in authors such as Smith (1937[1776]), Ricardo (1891[1817]) and Marx (1992[1867]), been concerned with the understanding of economic processes, proposing that answers to these questions could lead to a more optimal and just organization of society. Continuing from a Marxian tradition of thought, current political economic theory stresses the understanding of labor and value in an economy which may have changed in scope since the 18th century but has not been through any significant change regarding the social relations of production underpinning the global economy (Shaikh, 2016; Arboleda, 2020). The Marxian understanding of the economy as such rests upon a dialectical method, emphasizing the identification of processes and relations over what novelties emerge. Consequently, good political economic research can identify an emerging expression of capitalism and break it down into its internal processes and relations, identifying if it is novel at all, or just old relations expressed in a new way. The contribution of human geography to political economy entails a spatial understanding of economic processes (Harvey, 2018[1982]; Smith, 2010; Mitchell, 2003). A political economic analysis of Facebook, or similar digital platforms, is as such well suited for the field of human geography, as its focus on capital circulation emphasizes the spatial attributes of economic organization (Sadowski, 2020).

In comparison with other expressions of the digital, like smart cities (Curran and Smart, 2021) and the rising gig-economy (van Doorn and Badger, 2020; Wood et al., 2019) the social media platform has seen little research within political economy until quite recently. In social studies, the emerging social and cultural implications of the continuous presence of digital space have been a reoccurring object of study. Sheller (2018) examines the social constitution of the family when it is mediated through digital communications technology. Papacharissi (2002) theorizes the evolution of democracy through online public space and Andreassen (2017) investigates the change within the perception of the self through social media use. However, research into the economic function and purpose of the digital platforms is scarcer.

Wani and Wani's (2015) analysis of Flipkart's success in India attribute it primarily to Flipkart's ability to reduce the time of capital circulation (Marx, 1992[1885]). Although not completely translatable into the business model of Facebook, Wani and Wani's focus on capital circulation within the digital economy is highly relevant. The movement between physical and digital space to facilitate faster capital circulation is of increasing theoretical importance to understand the function of many large firms in the contemporary economy.

The most recent major piece is Brett Christophers' (2020) book on the increasing role of rentiers within the contemporary capitalist economy. It is a detailed analysis of the different rentier forms that mediate capital flows within the economy. Christopher's definition of rent is broad as he defines the rentier as a mediator between capitals (Christophers, 2020. p.p. 181). As a consequence, Christophers' offers an understanding of social media firm's structure as an individual capital mediating between different agents. Using its platform to help facilitate the transaction of a commodity or a service.

In contrast to Christophers (2020), Sadowski (2020) offers a narrower definition of rent. Rent, according to Sadowski, is extracted on the premise "*ownership of the access to a condition of production*" (Sadowski, 2020, p.p. 565). Sadowski's narrower analysis of rentier structures emphasizes control to a much larger extent. It is not only about mediation, but the control over a scarce condition of production that allows for surplus value extraction. Therefore, the subject of enclosure becomes central to the rentier model. Enclosure is further developed by Sadowski regarding the use of software licenses by digital firms, allowing control over commodities through their lifecycle (Ibid, p.p. 572-574). In this thesis, it is further developed in the context of Facebook, where it is not only useful to understanding the enclosure of services and use values within their space, but also to conceptualize the motive behind this enclosure, and the successive aim to capture users within their space (Chapter 6.3.1).

Inherent in Sadowski's definition of rent is also that a barrier must be transcended to access the condition of production – which in turn excludes different types of rentier activities identified by Christophers' (2020) as unproductive sectors making a profit. It is the act of owning the access to a condition of production that enables surplus value extraction from a productive industry in contrast to the selling of services, which is characterized by a competition without scarcity.

In contrast to human geography, within media and communication studies the literature on the effects and role of digital medias is extensive. However, the critical perspectives within the field are primarily from a post-structuralist perspective. David Bells (2006) exhaustive book *Cybercultures: Critical Concepts in Media and Cultural Studies* are lacking when it comes to the analysis of structural economic tendencies within the digital industry. Concepts such as class, labor and value are also nowhere to be seen (Fuchs, 2013). Similarly, Mimi Sheller's (2018) book on mobility justice analyses the role of multimedia structures in the context of mobility, both physical and social. Yet the conceptualizations regarding class conflict, labor, and exploitation in relation to the technology itself are absent.

Fast and Jansson (2019) does a more comprehensive analysis of precariousness within digital employment forms. Through their own concept of Transmedia they theorize how the interconnected digital infrastructure creates a novel social state, wherein a lack of norms, institutions and regulations provide a space for labor exploitation and precarious work conditions. However, the most comprehensive political economic analysis within the field of media and communication is done by Christian Fuchs (2013). Fuchs uses a cultural-marxist framework to theorize the digital labor (social media interaction) as a value creation process¹. In this regard, the value theory of Fuchs is positioned differently than the theory in this paper, which argues Facebook's profit to be rentier.

¹ Fuchs (2014) argues that data mining is a productive activity, wherein the activities conducted within social media is conceptualized as digital labor, whose fruits of labor are appropriated both to create the platform, and to extract data. This process according to Fuchs continuously creates surplus value, which is realized in the form of the sold commodity – targeted advertisement. In contrast I argue that productive and unproductive labor is a tool which helps expand upon the separation of value from wage in a systematic analysis spanning the micro level of the economy to the macro level. An objective value theory demands ways of separating different forms of production and their functions within the macro economy. Secondly, the notion of social interactions via digital space being unpaid labor is inherently contradictory to the distinction between everyday life unproductive social activities and labor used to transform a concrete or abstract object with the intent of the owners appropriation of that surplus value (Marx, 1963[1863]). The distinction between productive and unproductive labor exists *because* everyday life activities can create value, but only because it is value creating, does not mean it is exploited for its surplus value.

3 MARXIAN FOUNDATION FOR POLITICAL ECONOMIC ANALYSIS

To examine the core business of Facebook, and consequently the distribution of value throughout its supply chain, a theoretical understanding of the production of digital space is needed. The hierarchical ontology of dialectical historical materialism (Harvey, 2018[1982]) lends itself especially well to the identification and study of empirical mechanisms situated within a complex context. And through its movement between the abstract and the concrete, it allows for a precise but non-reductionist understanding of empirical phenomena. Dialectical historical materialism is also compatible in reconciling Lefebvre's (1991[1974]) conceptualization of the production of space with Marx's (1992[1867]) objective theory of value. Lefebvre's (1991[1974]) framework is essential in understanding both the production of the physical space of capitalist production as well as the constitution of digital space and the preconditions for rent. Together with Marx (1992[1885]) political economy the digital space of Facebook is conceptualized as a rentier, and in extension this allows for a critical examination of value distribution within the supply chain of Facebook.

3.1 ONTOLOGY AS A GUIDING METHOD OF THOUGHT

Dialectical historical materialism is the foundation of this thesis and informs the theoretical framework, methodology and analysis. The ontology entails an understanding in which the distribution of wealth and resources around the globe have a foundation within the social relations of production but interacts and evolves in tandem with social and cultural expressions of domination. In contrast to an idealist interpretation of oppression and inequality, inequality is not an exercised figment of beliefs, but a direct result of uneven distribution of tangible objects as to facilitate uneven relations and the exertion of power. Through the dialectical relation between tangible and intangible elements of power, inequality emerge. Consequently, a systemic analysis of inequality is centered around the dialectical movement of internal mechanisms and contradictions within the organization of society (Arboleda, 2020).

The general structure of an economic inequality is as such intrinsically tied to its particularities within production. Through a movement between different economic

functions, individual mechanisms become not only isolated features within a larger machine, but also processes and contradictions which are inseparable from the “whole” which is its result (Ollman, 2003). A dialectical methodology of thinking moves between abstraction and concretization – between the theoretical and the particular. Both to reduce a phenomenon through theory, and to study the internal process of a phenomena as parts of a larger process.

The dialectical historical materialist ontology holds that the dialectical movement between the abstract and the concrete, between the idealist thought structure and the real-world material structures limit and constrain each other (Harvey, 2018). Thought structures and material structures interplay and serve each other in a continuum through space and time, which, if it is to be analyzed, must be broken down. When the process has been broken down into its internal parts, they can be examined – and hopefully – when the process or structure is reconstructed again, it is with greater knowledge of its constitution and function. The dialectical process as such is a methodology of thinking. Through it, a framework of thought guides one to think of theory and empirics as interlinked and changing (Ollman, 2003). As such, it provides structure to thought and a critical methodology to identify and connect processes to each other and as internal aspects of a larger phenomenon.

The ontology is both restrictive and expansive as it relies upon a continuous interaction with both theory and empirics to evolve an understanding of a phenomena. It is restrictive in the sense that it is a hierarchical ontology, and consequently allows for a justified selection of variables. It is expansive in the sense of its successive development of thought around the relation of the parts as to create a whole. Similarly, it is not reductionist, as it uses the same variables to study their internal relation and expand the analysis regarding the processes between parts which results in the totality. It lends itself to applied science where an understanding of the internal relations and mechanisms of the empirical material is at the core.

3.2 THE PRODUCTION OF (DIGITAL) SPACE

Lefebvre’s (1991[1974]) theory on the production of space emphasizes the interconnectedness between material, ideological and everyday life structures. Two key points in Lefebvre’s theory is especially important within the context of Facebook.

Firstly, Lefebvre's theory conceptualizes space as actively and continuously produced (Ibid, p.p. 37). Secondly, it emphasizes the individual everyday life interactions as a cornerstone in producing a specific space (Ibid, p.p. 33).

Space as a dialectical movement between elements of power, produced and reproduced, emphasizes the internal contradictions within its creation, and furthermore helps to understand the different aspects and competing interests within the digital space of Facebook. Lefebvre's theory on the production of space is applied to conceptualize the digital space of Facebook to understand its current form as well as its production. As digital space is central to the economic activities of Facebook, understanding its form, function and expression is essential to understanding Facebook's revenue model.

The foundation of the production of space rests within Lefebvre's triad of dialectical movement between material structure, ideological structure, and everyday life (Ibid, p.p. 33). Material structure, that is the social relations of production which underpin

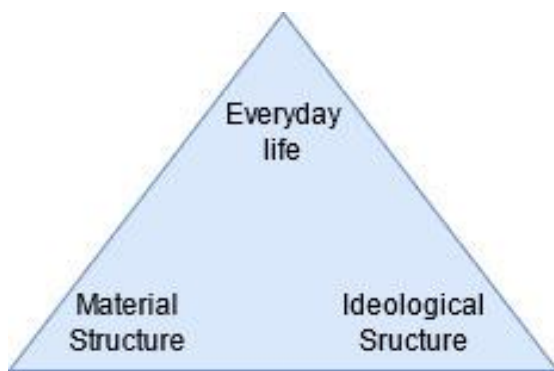


Figure 1 Lefebvre's triad of Production of Space (1991[1974]).

society, interacts with ideology (often represented by the city planner) as well as the habits and actions of a citizen, throughout their daily life (Ibid, p.p. 38-39). Together they produce *space* as illustrated in Figure 1.

Space is not to be confused with land. Land is an irreproducible material form and plays a part in the production of space as part of the material relations, but land is not the only feature of space. Space itself is reproducible and is continuously being reproduced and reformed. The production of space is a constant process, and a continuous power struggle between the individual acting out their life, the ideological project of civil society and the material confines of capitalist relations of production (Ibid, p.p. 38). This dialectical view of space as an abstract medium built up by its internal interactions and contradictions gives agency to the individual through the production of space, but similarly constrains the agency by the same logic, forcing the individual to act within frames set by both past and present, material, and ideological, structures (Campling et al. 2016, p.p. 1748).

The formulation of the digital space of Facebook rests upon the same notion of dialectical interaction between the material, ideological and everyday life aspects. Firstly, to produce digital space, there is a material prerequisite. In the digital form this consists of the technological foundation. It is manifested in the real world in form of commodities from which to access the digital (computers, smartphones etc.) as well as in infrastructure (server halls, routers, and cables). Secondly, there is the ideological planning of space. It manifests in the owner over digital space intention with the given space. In the case of Facebook (as will be discussed further in Chapter 4), it is advertising. Consequently, the space of Facebook is partly produced under the decree of algorithms – choosing the optimal way of user interaction to gather data. Lastly, the third and final form of production of digital space, which give it its meaning, is its users. Without people to inhabit space, the space is devoid of meaning, both ontologically (Lefebvre, 2003[1970], p.p. 73) and practically as an advertising tool. Consequently, the everyday user interaction is the final precondition for digital space to fulfill its intent – to make profit. Together it forms the unity of Facebook’s digital space with all the complexities and nuances its users experience and produce.

Facebook has a real-world presence which is characterized by its international character and huge frame of capital mobility. Similarly, it has a digital global presence in the everyday life of its users who are everywhere. There is both the physical space of Facebook, and the digital, and they are intrinsically tied together through its revenue model. The business success of Facebook’s digital space allows for expansion of capital investments into the physical space, and in reverse, moving the business to receive tax deductions or cheaper labor impacts the possibilities of investing into digital space. Space plays a crucial role in both understanding the constitution of digital space as well as analyzing the business strategies and functions of the firm. The spaces of Facebook, both the digital and the physical, are produced and reproduced through their respective conditions of production in different localities. An analysis of its business model must then be sensitive to the conditions of production of its space to understand the social relations affected by the space of Facebook as well as producing it (Lefebvre, 1991[1974]).

Scale, as derived from Lefebvre's notion of different levels of spatial production (Lefebvre, 2003[1970]) is to be understood as material realities emerging in space encompassing different scales such as the body, regional, national, and global (Smith, 2010). Scale as a concept is only used a few times throughout the thesis, and only descriptively, but since it is a contested term (Herod, 2010), it deserves a definition. Scale as such, is born out of the tension of capital, as capital fixate and move, different scales form as products of capital flows (Herod, 2010, p.p. 9). As such, scales form space to represent crucial elements in contemporary capitalist production. The national scale of Sweden is referred to a few times and is conceptualized as the space of institutionalized regulation of social relations of production. To facilitate capitalist production, as capital circulates it need absolute units of space, well defined containers of space, to be able to effectively use the productive capacities of labor. Property rights, wage relations, social relations of reproduction, all these categories are necessary to define and streamline capitalist production. The nation state, which has developed in tandem with capitalism, is the scale for defining these processes (Herod, 2010, p.p. 177). Likewise, the word multiscale is occasionally used to describe the presence of firm on several scales at once.

3.3 THE CREATION OF PROFIT AND THE CIRCULATION OF CAPITAL

An objective value theory allows for a distinction to be made between price and value (Marx, 1992 [1867]). In opposition to neoclassical theory, the firm who makes the most profit does not necessarily contribute the most valuable part of production. This allows us to transcend the idea of firms "adding value" at different stages of commodity production, and instead thinking of it as value captured (Quentin and Campling, 2018). In turn, this brings a more complex and dynamic view of capital accumulation, where the value of a firm's activity does not directly correlate with its profit. Instead, a range of factors play a part in the creation of profit – legislations, taxation, firm relations, capital circulation and labor exploitation. In addition, the Marxian theory of value involves an analysis of the function of different actors within the economy as different mechanisms in relation to each other. Consequently, the firms' function is to be understood in relation to other firms as well as by its internal productive activity and organization.

foundation of the objective value analysis conducted throughout the study. But when transposed upon reality, the firm structures become more interwoven and complex. Commodities are generally produced in stages, wherein the commodity of one firm is input for another (Quentin and Campling, 2018). Similarly, a production network is a global interwoven process involving services, legislations, and marketing. As such, the value theory is a tool for identifying wherein the productive forces lie – and consequently, where the surplus value originates and is later captured. Resulting in an analysis which can identify structural inequalities both on a macro and micro level, be it between the owner of the means of production and labor, or within a hierarchical chain of ownership stretching over a multitude of economies.

Making profit becomes a complex process of distribution of different economic activities in different locations and encompassing different aspects of space – which must be picked apart to examine its value distribution. In the movement back to its generalization, the relationship between the particularities of firms and firm entities gives a more coherent picture of the organization of globalized production networks and the function and form the individual firms and/or firm entities provide each other (Starosta, 2010a).

A crucial mechanism for understanding profit in relation to value is that of the relationship between productive and unproductive labor. While all labor can create value in some shape or fashion, not all labor activities are exploited by capital (Marx, 1992 [1867]). Consequently, there are two different types of labor – labor which goes towards increasing the total “wealth of nations” (see Smith, 1937[1776]) and labor which are consumed directly and does not contribute to successive capital growth (Arriaga, 1985). In classical political economy, the former is considered productive labor and the latter unproductive. Productive labor is defined by its relationship to capital. If the labor is exploited by capital to produce surplus value, the labor becomes productive. If it is not used to create surplus value – it is unproductive. The form and type of the labor does not matter, and one could incorrectly assume that unproductive labor is immaterial, not producing of a physical commodity but the only thing that matters is its relation towards capital (Arriaga, 1985). The relationship between productive and unproductive labor does therefore not equal the former being useful and the latter as non-useful for the process of capital expansion. Unproductive labor is purely labor which is *in itself* not exploited for

surplus value, but it can on the other hand help increase the efficiency of the surplus value extraction of productive labor (Marx, 1992[1885]).

The conceptualization of productive and unproductive leads into the process of circulation of capital, wherein the commodity must be turned into money capital to make profit. The labor is already reified within the commodity, and as such the surplus value to be extracted is in this form static. The labor used to facilitate circulation of the commodity through the economy is consequently unproductive (Ibid, p.p. 225-226). Successfully using unproductive labor to expand upon the rate of realization of the commodity then leads to an increase in the overall profit. Yet, it is completely dependent upon the first stage of producing the commodity. The cost and potential benefit of the process of circulation of capital is reliant upon the previous process of commodity production in that the unproductive labor circulating the goods are paid out of the surplus value from the productive labor (Arriaga, 1985, Shaikh, 2016).

Capital growth is as such a twofold dialectical process between the realm of production – turning money capital into labor and tools, and finally a commodity – and the process of circulating the commodity within the economy. Both depend upon the other for capital to expand in a competitive market. Similarly, its value composition is a dialectical process between several mechanics on different levels. On a micro level, constant and variable capital together form the commodity, which is appropriated for surplus value. On a macro level, productive labor produces surplus value which is circulated by unproductive labor. In between micro and macro, different firms are selling and buying both productive and unproductive services as to expand their profit in relation to their competitors.

4 DIGITAL SPACE AND THE DIGITAL PLATFORM AS A RENTIER

Facebook's revenue model only makes sense in relation to other economic activities, as it is reliant upon external sources to profit. It is at this macro level that Facebook can be understood as a function of increased rates of capital circulation within the economy (Marx, 1992[1885]). It offers a competitive function as advertising space while the digital space of Facebook works on the premise of the rentier, competing with other platforms over the condition of production within digital space – users. It is the ownership of access to the condition of production which entitles rent (Sadowski, 2020). To attract users, Facebook's free distribution of communication tools translates into capital invested into attracting and binding the condition of production to their specific space. Facebook as a rentier organizes capital circulation and realization on a global scale and appropriates surplus value from the commodities they aid to realize.

4.1 FACEBOOK AS A GLOBAL FACILITATOR OF CAPITAL CIRCULATION

The circulation of capital is the process of capital changing form in it strive towards expansion. As noted in section 3.3 on value theory, the production of a commodity follows sequential steps of the shift in the form of capital. This fundamental circulation of capital through different forms, Money (M) – Commodity (C) – Money' (M'), aims at reproducing capital at an ever-increasing quantity. In short, capital needs to move to grow. The circulation of capital is the large interwoven process of capital transformation to reach the goal of realizing surplus value (Marx, 1992[1885]). The movement of capital through different spaces and to different localities are based in the search for an optimal condition of production for a specific stage of capital transformation. The circulatory system of capital is global, incorporating and producing every scale in both production and consumption of capital (Arboleda, 2020). To facilitate capital circulation, some forms of economic activities are not inherently extracting surplus value themselves but exists to facilitate the movement of other capital flows. The selling time of the product – its overall rate of realization – is central to the expansion of capital. *“One section of circulation time – and relatively the most decisive one – consists of selling time, the period in which the*

capital exists in the state of commodity capital” (Marx, 1992[1885], p.p. 327). Faster and more efficient means of realization decreases the turnover time of capital, allowing for quicker reinvestment and a successive growth.

For capital to circulate, some capital must be fixed. This includes both means of production – tools, machinery, and technology - as well as more long-term investments into infrastructure⁴. The dialectical relationship between fixed and circulating capital is what creates an increasing rate of capital circulation. And in the case of Facebook, it rests upon material preconditions – server halls or internet cable networks – to be able to produce its space. Consequently, to conduct its revenue model, some of the capital of Facebook is fixed.

The function of Facebook is that of the advertiser, which focuses on the effectiveness of external firms rate of realization (Arriaga, 1984). Being an advertiser entails that the business model rests upon giving external firms the most competitively viable option to realize their commodity capital in as large quantities as possible and as fast as possible. This calls back to the idea of space, and the successive decrease in circulation time by conquering space to increase capital circulation rate – in this case, the rate of selling products. The digital space of Facebook offers a separate, digital space, global in scale, which at an instant speed can identify and target consumers. As such, the primary function of Facebook within the macro economy is to facilitate faster circulation of capital. Individual firms can through advertising capture a larger market share than their competitors, and Facebook offers one of the more effective advertising services to do so as witnessed by their emerging success.

The productive networks, spanning the globe (Arboleda, 2020) is mirrored in the digital services’ global consumption networks. Facebook is to be understood in this context as a facilitator of an already established global economy, mediating between production and realization of surplus value. Through its digital space, the space of advertising changes, annihilating distance by access to technology. It is intrinsically tied to the global supply chains supporting its own technological development (Ibid, p.p. 13), both as a technological precondition for its business, but also as a facilitator of external businesses’ capital circulation.

⁴ Fixed capital also circulates. But at a slower pace. As machinery disperse its value into the commodity in the production process, so does the fixed capital circulate at the pace of its depreciation (Marx, 1992[1885]).

4.2 DIGITAL ENCLOSURE AND THE EXTRACTION OF RENT

As capital circulates through space to reproduce itself at greater quantities, some environments contain different natural endowments which gives them an edge in productivity. In this regard, it is the access to a condition of production – and in a relational context, the exclusion of others from that condition of production – that allows for rent extraction (Sadowski, 2020). A rentier relation is created when a condition of production, which allows for greater surplus value extraction than the average (within a given economic sector), is enclosed by property rights and excluded from common use. In that given case, the rentier will be able to produce more surplus value than its competitors. The extra surplus value is then categorized as rent – or if the property is owned by someone else, the extra surplus value befalls the landowner as rent (Marx, 1992[1885]).

Central to the idea of Facebook as a rentier is that it is not an internal source of profit, but an appropriation of surplus value produced in external industries (Sadowski, 2020). The digital space of Facebook then contains online users which can efficiently be targeted by commercials, through the data gathered on their interests and behavior. The successive growth of this condition of production allows for Facebook's digital space to become increasingly more efficient in its advertising. In addition, there is the aspect of scarcity. As material prerequisites of digital space (domains, websites etc.) is easily reproducible, it is the successive user interaction, the everyday life use of digital space, that constitutes its scarcity condition.

There are different types of rent, wherein Facebook's rentier flow constitutes *Differential rent II* (DRII) (Marx, 1992[1894]; Sadowski, 2020). Shortly put, DRII occurs when unequal amounts of capital are invested into two equally productive pieces of land, but one input leads to a greater output than the other. Then capital investments into the different plots yield different productivity. This results in a greater amount of surplus value extracted and the difference between the market (regulating) price and the lower unit production cost equals the rent. DRII arise when a condition of production has an increase in productivity following from capital investments (Murray, 1977). In the case of Facebook, this entails that continuous capital investments into their space reinforces their condition of production. It does so in two ways. Firstly, as the condition of production is scarce and finite, it excludes competitors from accessing it. Secondly, it

aggregates the number of users, making tools of production (algorithms) more efficient as well as giving more targets to advertise to. This allows Facebook to appropriate part of the surplus value of a commodity through advertising.

Enclosing the condition of production is based in the legal formation of property rights – more precisely the intangible property rights (Quentin and Campling, 2018) – which control the use of products, services and algorithms used by Facebook to attract and bind its users (Sadowski, 2020). It is the free services offered by Facebook which through their use value attracts and makes users stay. As the nature of their free services generally are communication, there is a cascading effect, wherein the more users that are established, the more useful the space of Facebook becomes as a social platform. The use values of digital space are enclosed and can only be accessed by members (Ibid), but the real motive is to capture the user, and in succession enclose the condition of production under their ownership. This enclosure of users themselves requires a constant investment into digital space as to continuously make sure their free products are superior to their competitors as not to lose users. In short, enclosing their condition of production has a twofold character. First through laws and regulations who stop other firms from mimicking their services and technologies. Secondly through capturing the user within their network of free services. Continual capital investments serve to uphold the scarcity element of the condition of production for Facebook, while excluding it from their competitors.

Advertisement is the competitive act of trying to increase the rate of realization of a commodity at the expense of other competing firms (Arriaga, 1984). It is a process integral to the competition of capital, wherein the rate of circulation of a commodity can yield greater profits through the application of unproductive labor. In its abstract form, advertisement is the convincing of firms or producers to spend their available capital on your commodity, or, within retail, the convincing of consumers to spend their available wage on your specific commodities (Marx, 1992[1885]).

Advertising is as such a process of competition aiming to enhance overall profit of a firm by increasing sales. It is unproductive, but (if successful) profitable. It appropriates surplus value from productive industries to finance its expansion, thus the profit is directly tied to the social relations between capital and labor within production (Arriaga, 1984). As a competitive industry, making the advertisements more effective is

beneficial for the individual firm. Consequently, like competitiveness in production, cutting costs and increasing productivity is essential for being a successful firm. This results in the same macro tendencies we see in capitalism as a whole, a push towards a continual expansion of capital itself, in this case by constructing more and more efficient ways of realizing capital.

By enclosing the users into a network of services within the firms' digital space, the digital platform creates conditions for advertising through targeted data, while impairing competing firms' ability to advertise in their space. Establishing a rentier condition within digital space as the firm owns the access to a condition of production. The revenue stream appropriates external productive capital, and is thus unproductive, but is a facilitator of the overall circulation of capital within the economy.

4.3 SUMMARY: THE THEORETICAL STRUCTURE OF FACEBOOK'S RENTIER MODEL

The triad of production of digital space gains additional meaning when the space is turned into rentier space through the revenue model of advertising. Material structure (technology), ideological structure (algorithmic design) and everyday life (user interaction) produce digital space (Lefebvre, 1991[1974]). The underlying condition of production within this space, the everyday life user interaction, is worked *by* unproductive labor – both within Facebook itself and by external marketing firms – using the tools of production, algorithms as well as analysis tools, to facilitate data extraction and targeting. The material space, the fixed capital investments, becomes a precondition for accessing the condition of production. With a focus on the final form and specific function of the mode of accumulation by Facebook, the labor resting on that revenue stream becomes unproductive, as that labor – if it is contained within the firm itself and not an external firm selling a productive service or commodity hired by Facebook – is not exploited for surplus value. Rather, the profit comes from increasing the rate of realization of external firms which rests on surplus value extracted from productive service or commodity production.

An external advertisement firm conducting the online advertising on behalf of a productive commodity or service firm is but a mediator of the process, capturing part of

that surplus value flow between the productive industry and the advertisement space of Facebook. The advertisement structure of Facebook is based on the information it obtains on its users. This information is used to profile and categorize potential targets for consumption of specific commodities. Facebook sells this service, and in return yields a part of the profit (Sadowski, 2020). Consequently, this specific stream of income rests upon unproductive labor. Even if within the industrial structure of Facebook there are inputs, both variable and constant, when e.g., a server hall is constructed or a programmer reconfigures an algorithm, Facebook's profit does not come from the realization of that value, but from the realization of external commodities.⁵ The value created when the programmer programs is simply consumed by Facebook, as it uses its use value for building a foundation to appropriate external value. Similarly, the server hall is a consumed commodity – a finished (productive) production cycle by an external firm (Marx, 1963[1863]). Firms not owned by Facebook but that support the construction of its infrastructure can by this logic be productive, while Facebook themselves are unproductive. Figure 3 illustrates the value flow between the productive firm, the unproductive advertising firm and Facebook as the digital rentier.

⁵ Similarly, the profit is not a product of surplus value created by digital labor by online users, as the revenue stream is based in their successive consumption of a commodity. In turn this means it is revenue taken either out of Department I or Department II – the consumption by wage capital or by capital reserved for a production cycle as means of production. It is a realization process of already reified labor (Marx, 1992[1885], p.p. 513 - 517).

Facebook and the Circulation of Capital

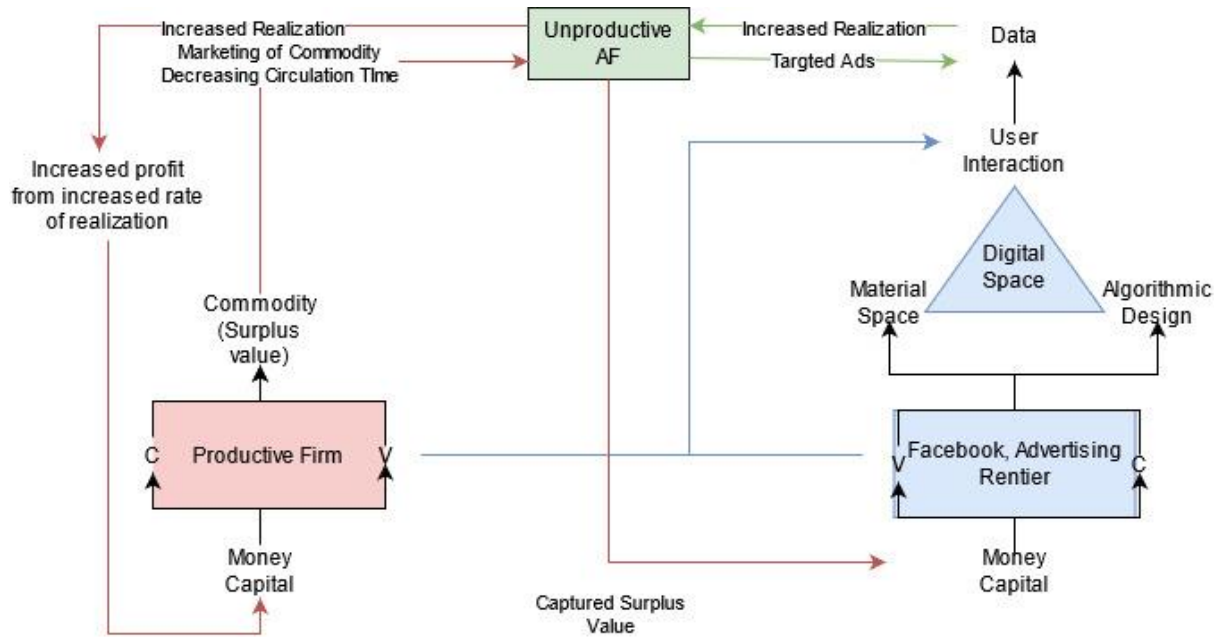


Figure 3 Facebook and the Circulation of Capital. The productive firm extracts surplus value from a commodity. Through marketing, the quantity of commodities realized increases, increasing the rate of circulation for the firm. Red follows the surplus value from the productive industry and its subsequent capture at different stages. Blue illustrates the production of digital space as it is constructed as a rentier. Green shows the mediation of the transaction by the advertising firm, capturing part of the surplus value by operating the marketing campaign.

Facebook’s social interactive space is distributed for free and instead Facebook chooses to use its feature as an inhabited space for advertisement. An adept analogy is that of a mall. When individuals walk around, shopping, socializing, or browsing, the owner of the mall takes a share of the profit that accrues to the retail shops within the mall (Sadowski, 2020). The mall then controls an “ownership of the access to a condition of production” (Ibid: 565), a circulation mechanism which has become intrinsic in the accumulation of profit. Similarly, Facebook controls a circulation mechanism through its social spaces and services. Malls are expensive to build, they require a large amount of capital to be invested, and in addition they are location sensitive, meaning that a mall in a highly populated area sells a larger number of commodities than one in a less populated area. As such, the condition of production regulated by the mall becomes finite – in other words, there is a scarcity of the circulation mechanism. Scarcity of the condition of production is central to the ability to extract rent. If the condition of production is easily reproducible, it no longer inhabits a position wherein the ownership of access towards it has potential to appropriate rent. This constitutes a problem when it comes to digital

space. Digital space is producible by anyone and by minimal costs. Setting up a domain is easy, and in tandem with cheap design software, making a good-looking website today is easier and cheaper than ever. Consequently, digital space is easily reproducible and *not* finite. But this assumption rests upon a simplistic view of space as simply its material form. Digital space is a product not only of the material (server halls, underlying infrastructure) and the ideological (algorithmic design), but also of the *everyday life* (online user interaction), its inhabitants (Lefebvre, 1991[1974]). The material aspect of digital space is infinite and reproducible, but without inhabitants that actively produce it, it becomes empty and devoid of meaning as it lacks its central feature, to mediate human interactions. The scarcity of the *condition of production* is within digital space its *users*. Without users producing and reproducing digital space through everyday life activities, there is no condition of production, there is no extraction of data and no targets of advertisement. The ownership over the access to the condition of production is the ownership over the access to the users of digital space.

The profit of Facebook is derived from an appropriation of surplus value created in an external industry as advertisement is a tool of circulation, effectively increasing the rate of commodity realization of the productive firm if successful (Arriaga, 1984). The potential rent then stands in direct relation to the effectiveness of the tool of circulation. Meaning that by increasing the effectiveness of the advertisement, more commodities or services can be sold, allowing for an increase in the value captured by Facebook by expanding the total amount of commodities circulating on their platform. This requires capital investment - technologies need to be developed, the infrastructure must be enhanced, and the users must keep up their interest in order to engage with the space. Consequently, the digital space of Facebook is receptive to capital investment. To stabilize or increase productivity continual investment is required. This is what Marx (1963[1863]) calls differential rent II. These investments also serve the purpose of enclosing the finite resource within their digital infrastructure – enhancing their competitiveness in relation to other digital platforms with a similar revenue model⁶. What

⁶ Consumption is limited by the capital in circulation within production. Individuals can only consume wage or luxury goods in relation to their wage – which is directly tied to the social relations of production. Similarly, corporations can consume based on their profit, once again tied into the social relations of production and the subsequent surplus value extraction from labor. No matter if its department I or II goods – demand is finite, and enclosing individuals in digital space becomes an advantage in accessing the capital possessed for consumption (Marx, 1992[1885], p.p. 501).

this entails for Facebook is a constant hunt for increasing their efficiency of surplus value capturing to remain competitive, be it by expanding their user base or by refining their algorithms.

For this process to work, three main stages have been identified. Firstly, the attraction of users and subsequent user interaction with the material conditions of space to produce digital space. The ability for the platform to penetrate the everyday life of individuals to convince them to produce space freely is the foundation for the rent seeking operation of the advertisement driven digital platform. Secondly, a commodity to advertise. It is only in relation to external production that the output of digital space – data – can be valued. The digital space of the advertisement driven platform is reliant upon extraction of data to be able to target its advertisement. The price of the data sold, the valuation of the data, is relational to both the efficiency of the advertisement service and the surplus value extraction of the external industry. Which leads into the third conclusion, the rent is derived from controlling a mechanism of circulation.

PART II
TRACING THE PROFIT OF
FACEBOOK

5 APPROACHING THE SUPPLY CHAIN OF FACEBOOK

Part I of the study developed the theory needed to understand the mechanics and consequences of the function of Facebook as a rentier. Its purpose being to guide the empirical investigation into the value distribution of Facebook's activities. But to do so, operationalization is needed to guide the selection of empirical material. To bridge the gap between theory and empirics, and to allow the theoretical framework to feed into an understanding of an entangled and messier reality. The Global Inequality Chain (GIC) framework of Quentin and Campling (2018) offers a heuristic analysis with the ability of identifying key mechanics within global supply chains and their relation to political economic theory. Marrying the objective value theory with the empirical knowledge of supply chain analysis, GIC offers a way of not only tracking the distribution of wealth, but to track the production of value. The theoretical framework on Facebook's rentierism can through the implementation of GIC analysis guide the political economic understanding of production and distribution of value within the supply chain of Facebook.

5.1 OPERATIONALIZATION THROUGH GLOBAL INEQUALITY CHAIN ANALYSIS

To grasp the complex nature of value creation and distribution within the rentier structure of Facebook's digital platform, a GIC approach offers tools to understand global production networks within a given production process (Quentin and Campling, 2018; Starosta, 2010b). As conceptualized within chapter 4, digital advertisement platforms are characterized by their profit resting upon the realization of external commodities. To trace this profit, a campaign conducted via Facebook will be examined to follow the production of the commodity and the renting of digital space to examine the actors involved and the distribution of money capital throughout the online advertisement campaign. The GIC framework help identify key mechanisms of firm structure and business strategy for the theory to be situated correctly and help further the understanding of the supply chain. It draws upon the knowledge of the Global Value Chain field (see Gibbon, Bair and Ponte, 2008) but adds mechanisms of understanding not only production and value added, but distribution of capital and value captured (Quentin and Campling, 2018). Resulting in a

supply chain analysis with the tools to identify the relations of production and the function of firm activities within both a micro and macro-economic context. In addition, its reconceptualization of value added to value *captured* rests upon an objective value theory – in this thesis Marxian – to derive the “*conception of value as having an objective existence separable from its manifestation in prices*” (Quentin and Campling, p.p. 36). All this is to grasp the infrastructure of international firms, to understand the dualism between value creation and value capture, and to critically examine the structure of a firm or a sector in relation to economic inequality.

This study uses Marx theory of value as a framework to clarify the production and advertising of a commodity on Facebook. In turn, the GIC framework will operationalize the framework of Facebook as a digital rentier (Chapter 4) through identifying key functions and construct a model over the firm infrastructure leading up to the renting of digital space on Facebook (Quentin and Campling, 2018).

The conceptualization of the theoretical framework through GIC analysis leads to two main categories of analysis 1) *the supply chain and the creation of value and money capital* and 2) *the distribution of value and money capital along its production*. In turn, these are split into subcategories, which allow for different firm mechanisms to be set in relation to value theory. Resulting in an analysis of firm infrastructure and profit accumulation which considers the *function* of different productive activities by different business entities in relation to value. Below are the five main categories identified through GIC.

5.1.1 The Supply Chain and the Creation of Value and Money Capital

1) Identifying Individual Capitals

Individual capitals (IC) are not necessarily an individual firm or an organization, but a firm, or part of a firm, which conducts a specific service or productive activity. As such, if a firm operates with a marketing department and manufacturing department, they are different *individual capitals*. Providing different aspects of commodity production (Starosta, 2010a, p.p. 443).

2) Tracking Money Capital Flows

The flow of money capital through the different IC's shows the cost of production, potential profit, and distribution of wealth geographically at different stages within the GIC. The result is a model of how money capital flows within the firm and through space (Quentin and Campling, 2018, p.p. 36).

3) Identifying Specific Economic Activities

The money capital flows through the IC's towards specific activities or processes which then can be situated within a larger context based on their function. This not only gives us an idea about the constitution of the supply chain in this study, but also *how* the revenue is made through the different activities understood in relation to each other. Identifying and examining the different activities conducted at different stages within the supply chain allows for an analysis of the individual capitals as productive or unproductive as well as the constitution (profit, rent, interest) of its revenue (Quentin and Campling, 2018, p.p. 37).

5.1.2 The Distribution of Value and Money Capital along the Supply Chain.

4) The Geography of the Supply Chain

Location and the flow of money capital through space, digital and non-digital, constitutes an important step in analyzing the distribution of money capital compared to value through different localities and jurisdictions. Following the logic of the three steps in 5.1.1, the location of the individual capital and their money capital capture is put into context with their function to conceptualize their value production and capture (Starosta, 2010a).

5) Institutions, Taxation and Wage

Taxation and wages are mechanisms of the geographical distribution of money capital. Wages are generally tied to a locality, while taxation can be moved through different jurisdictions depending on firm structure. Similarly, to move taxation, institutions shape and form the economic potentialities of different jurisdictions. Institutional mechanisms such as the intangible asset or minimum wage and collective agreements plays a large part in deciding where and why an economic activity is profitable. Consequently, it also

plays a part in cementing the hierarchies of the GIC, as institutions can influence the power dynamics within a GIC (Quentin and Campling, 2018, p.p. 50).

5.2 DATA GATHERING AND ACCESS

The empirical process originates in the contact with the Advertisement Firm (AF). As studying firms and economic actors is often surrounded by the issue of access (Ho, 2009), the advertisement firm were chosen because of personal contacts. “Studying up” is an anthropological term that aims at describing the difficulties in studying the elite (Gusterson, 1997). Facebook is a prime example of this, notorious for, along with many Silicon Valley based tech companies, communicating scarcely and on their own terms. Gusterson (1997) quotes Thomas (1993) about the issues of studying corporations: *“Even welcome visitors encounter inner lines of defense: public relations departments, “official spokespeople,” and whole levels of management trained in how to represent the company to the outside world.”* (Thomas, 1993:82)

This study is formatted to combat that specific problem through studying the business model of Facebook from an external perspective, following profit and value through smaller companies until it is sold through their platform. The analysis of the supply chain of Facebook comes with other struggles. Medium size firms are, even if not at the sophisticated level of large, international firms, still guarding information regarding their business model. This creates issues within the data gathering process, wherein aspects of specific money flows often are considered sensitive information and therefore hard to get. Fortunately, both the firms accessed in the study were helpful and aided in the research by providing as much information they could. Furthermore, I promised to anonymize the companies within the supply chain, to gain access to some more sensitive information. As a result, none of the annual reports or company statistics found online are directly referred to when it comes to the Halmstad manufacturing firm (HF) and the AF. They are referred to as (HF, online) and (AF, online) and can be provided by request.

The approach which naturally evolved was that which Karen Ho (2009) call institutional kinship as some of the workers of the advertising firm and I share a common social background and move through the same spaces of Malmö. Some questions undoubtedly posed a greater challenge to ask, especially when it came to specifics in firm strategy or profit flows. Although there were limits to my access of information regarding

the firms, the interviewees of both firms met me with nothing but interest in the study and were very accommodating. As I final note, I want to emphasize that I was continuously transparent with my intention and goals of studying the profit flow of Facebook through their marketing campaign.

The advertising firm (AF) had a key role as a mediator between the manufacturing firm and the digital platform which gives it a central role as both an access point and as a mediator of capital flows. Data gathered was categorized through the operationalization of Quentin and Campling's (2018) GIC framework (5.1) Through the advertising firm, access was granted to an online advertising campaign which was held between the 18th of November and 18th of December 2020. The study takes place over several different geographies but follows one advertisement campaign. A firm located in Halmstad hired an advertisement firm in Malmö to together conduct a campaign via Facebook and LinkedIn. They aimed at increasing the sales of a commodity which served as an input of firms in the construction sector. The Halmstad firm (HF) is relatively large and has a primary market here in Sweden but have customers all over the world. The AF is located in Malmö, which is also where the firm contact was first established. The AF work primarily with online advertising.

Empirical material was gathered continuously throughout the study, consequently, empirics and theory were developed in tandem through an abductive approach to research design (Ollman, 2003). The abductive approach allows for an increased flexibility of the study through continuous revising of the selection of empirics and theory to further the understanding of the object of study.

The data is primarily gathered from official documents, interviews and google analytics. Google analytics is a tool developed by google which is used to analyze traffic within and between digital spaces. It is one of the tools used in the formulation of the specific advertisement campaign at the center of this study and was accessed through the permission of the advertisement firm and the manufacturing firm. Information gathered by this tool is referred to as (Google Analytics, 2021). The official documents analyzed in the study mostly consists of annual reports, both to shareholders and the more extensive annual report (Form 10-K) required by the US exchange and securities commission. They constitute reliable sources of corporations' finances and structure and provide invaluable material in understanding corporate structure and business model.

Tax avoidance, profit shifting and division of labor within the corporate structure is highly relevant to understanding the geography and value distribution within the GIC (Quentin and Campling, 2018). Confirming the specificities of tax avoidance is beyond the scope of this study, however, through an understanding of the history of tax avoidance by both Facebook and similar firms (Hadzhieva et al., 2016) tendencies of these processes can be recognized on a macro level.

The generalizability of the data does not lie in the particularities discovered during the empirical process, but in the interaction of the empirical material with the theoretical development made so far and through previous research on similar subjects. Through the interplay between empirics and theory the particularities of the study can be better understood and put into a broader context.

5.2.1 Interviews

Interview subjects were determined by the level of access to the firm. Mostly, this study is conducted on the marketing of the products, as such, close contact was established with the marketing officials of the two firms – the Malmö advertising firm and the Halmstad Firm. The role of the interviews was primarily to gain insight into the process of digital marketing. In addition, any gaps in information regarding firm structure were approached through the interviews. Interviews were semi-structured, as to allow the interviewee to associate around the different subjects freely. Contact was primarily established via mail and phone, and since this study is conducted during the covid-19 pandemic, all but one interview was conducted via digital tools. The interviews conducted and their affiliations are listed below along with the abbreviations used in the text:

Contact 1, Social Media Marketing, Advertising Firm, Malmö. Both Mail and Interview. Referred to respectively as (Interview, 1) and (Contact, 1, Mail).

Contact 2, Marketing, Halmstad Manufacturing and Brand Firm, Halmstad. Both Mail and Interview. Referred to respectively as (Interview, 2), (Interview, 3) and (Contact, 2, Mail).

Contact 3, Independent Purchaser of Digital Advertisement, Malmö. Mail. Referred to as (Contact, 3, Mail).

5.2.2 Delimitations

An aspect of the production along the GIC which is not covered within the study is that of the social reproduction. How labor is reproduced, the quality of everyday life within reproduction and what unpaid labor supports this reproduction are important aspects to understand life within a given economy (Marx, 1992[1867]). Unfortunately, further examining reproduction within the scope of this study would only serve to fragment it. Similarly, the study only focuses on the high-end spectrum of the GIC. It is likewise done as to present a clear and focused study with the time and resources available.

6 THE GIC OF FACEBOOK

The Global Inequality Chain (GIC) of Facebook concerns both the structure of its production of digital space, and the process of marketing the commodities of external firms. While the interfirm structure of the production of digital space is examined primarily in section 6.3, the rest of the chapter concerns the different geographies that capital flows through to produce the advertising campaign investigated in the study. As the profit flow of Facebook is reliant upon surplus value created in external industries, the different geographies involve different individual capitals (IC's) capturing value originating from a manufacturing process in Slovakia. The analysis is as such organized after the respective functions of capital within the GIC. Together, a multiscale process of value capture through unproductive firm activities is formed, which serve different functions in the circulation of capital.

Section 6.1 details the Halmstad firm (HF) and the manufacturing of the commodity. Surplus value captured within the production of the HF, between its Slovakian IC and the Halmstad IC, is the surplus value which are followed throughout the study. It firstly pays for the services of the advertising firm (AF), which capture part of the surplus value by designing, monitoring, and streamlining the advertisement campaign via Facebook (section 6.2). At this stage, the surplus value circulates into the large cities of Sweden. Lastly, the digital space of Facebook is purchased to circulate the commodity of the HF. Facebook's digital space and its characteristics which constitute the prerequisites for the advertising function are examined in relation to the activities of Facebook's IC's in section 6.3.1. In 6.3.2 the circulation of money capital within Facebook's corporate structure, its geographical distribution of IC's, profits and costs of production are put in relation to the value captured within the campaign. The distribution of money capital within the GIC of Facebook are examined within Facebook's own corporate structure as to reproduce their rentier condition.

6.1 PRODUCTION AND VALUE COMPOSITION OF THE COMMODITY

The internal firm composition of the Halmstad Firm (HF) constitutes of a geographical division of labor between the brand owning IC in Halmstad, Sweden and the manufacturing IC in Banská Štiavnica, Slovakia, with the purpose of extracting surplus

value from production in Slovakia and expand the magnitude of surplus value extraction through marketing in Sweden. While there are productive and unproductive activities both in Sweden and Slovakia, the final outsourcing of productive activities to Slovakia will soon turn the HF's Swedish presence into a site purely for product development and marketing. Thus, the division of labor translates into surplus value extraction in Slovakia and unproductive activities aiming for increased market share in Sweden (Arriaga, 1984). The GIC at this stage is reliant on a hierarchical firm structure (ownership and control over suppliers) to extract value from labor in Slovakia (Quentin and Campling, 2018).

The HF is part of a larger corporate group, but for the purpose of this thesis, we are only concerned with the specific brand of commodities associated with the online advertisement campaign. The HF produces commodities that serve as input into the construction sector, primarily in Sweden, but has some international market presence. These commodities are owned as a brand by the HF and are produced in Slovakia. The two individual capitals of the HF have two distinctly different functions; one is a go-to-market entity which does planning and advertisement strategy and the second is a manufacturing entity (Interview, 2).

The HF, through the campaign, has emphasized two strategies to increase profit – cutting cost of production by outsourcing, and trying to increase the magnitude and rate of sales via advertisement (Interview 2, Interview 3). Advertising is intrinsically tied to the profit of the firm – in this case, the realization of the commodity is both a direct profit and a potential for future profit through the sale of services related to the commodity. In the long term, the HF hopes that the increased sale of commodities will lead to an increase in the sale of services. The commodity primarily advertised through the online campaign are completely constructed in Slovakia and sold in Scandinavia through the distributor (Figure 4), with a profit margin varying between 5% - 15% (Contact 2, mail). Approximately, 10% of the exchange value of the commodity is then going into the HF as surplus value. The profit margin of the commodity is expected to rise in the future because of the outsourcing and reorganization of production to Slovakia, which is expected to cut cost overall through cheaper wages, social costs, and logistical improvement by centralizing production (Contact 2, mail).

Figure 4 illustrates the corporate structure of the manufacturing firm within this study, demarcated with red is the corporate entities and individual capitals within this study.

The Firm structure of the Halmstad Firm and the Production of the Commodity

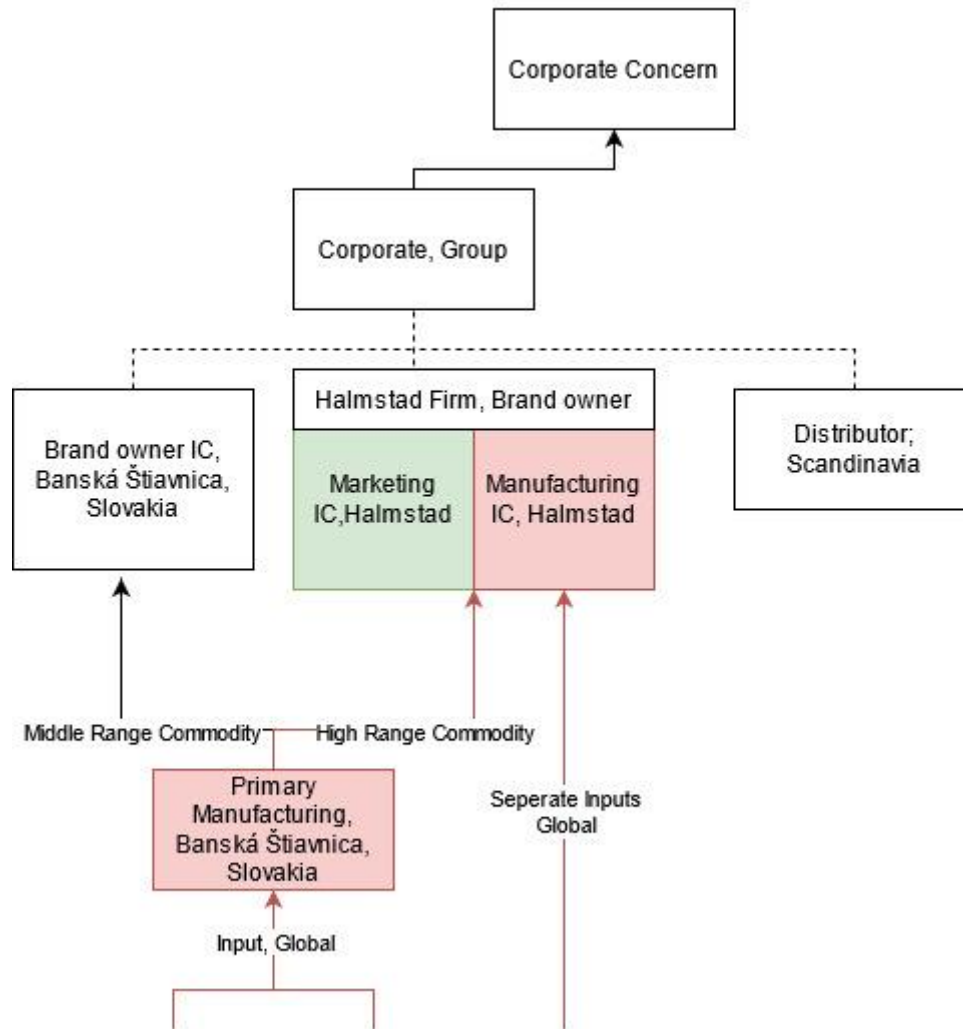


Figure 4 The Firm Structure of The Halmstad Firm and the Production of the Commodity. Illustrates the corporate structure of the Halmstad firm. The Productive entities of the Firm is demarcated in Red, while the Green is the unproductive labor of the marketing IC. The capital flow of the study rests upon the productive activities primarily conducted in Slovakia. The firm is part of a larger group, which will not be the focus of this study, but is briefly illustrated to provide context. Similarly, the manufacturing firm in Halmstad is one legal entity but with two separate functions – making them different individual capitals. The subcontractor in Slovakia produces most of the goods, but not all.

A report from the National Productivity Board of the Slovak Republic (Fidrmuc, et al. 2019) concludes that Slovakia serves as an assembly location for European manufacturing, mainly because its cheap labor costs. The cost of labor by hour is a little

more than a third in Slovakia compared to Sweden, including both wages and non-wage costs (social regulations regarding the workplace) (Eurostat, 2021). The purchase of the Slovakian manufacturer by the HF is symptomatic for the economic issues of Slovakia, which suffer from low domestic value capture in exports (Fidrmuc, et al. 2019, p.p. i). From the perspective of the HF, it is an investment with the intent of cheaper manufacturing, wherein the hierarchical corporate structure allows for much of the surplus value produced in Slovakia to be appropriated abroad. Consequently, enabling the value capture structure identified between Sweden and Slovakia, and the successive division of labor between unproductive (product development and marketing) and productive (manufacturing) activities.

“/---/ I started working for (HF) about six years ago. Then it was only a small product company with its own manufacturing in Halmstad.” (Interview, 3). During these six years the company has grown significantly. Between the financial year 2016/17 and 2019/20, the firm had an accumulated growth in revenue of 22.3% (HF, online). This time period has also been characterized by successive outsourcing of productive activities towards Slovakia.

Similarly, outsourcing to cut costs is also a tool for staying competitively relevant. *“/---/ the competition within construction for example in Europe and internationally is very tough”* (Interview, 2). The construction sector is a competitive sector, and the HF must constantly look for ways to cut cost to remain competitive. While the HF have a large home market here in Sweden, they are in constant competition with international firms. Staying competitively relevant translates into a division of labor using more cost-effective conditions of production. Successively, the HF needed to outsource to cut costs and, which will be approached in section 6.2, formulate advertising to compete not only by cutting cost of production, but by increasing the rate of capital circulation. Staying competitive becomes a dialectical process of cutting costs and increasing market shares, emphasizing the relevance of both productive and unproductive capital for a firm within contemporary capitalism. Emphasizing two central and intertwined mechanics of capital, production, and circulation.

The GIC of the Halmstad firm consists of interlinked processes of power dynamics between firm entities in different localities. While wages are cheaper in Slovakia, the outsourcing of labor to Banská Štiavnica entails capital staying both as tax

on production and tax on income in the locality. In extension, the capture of surplus value in Halmstad or other localities higher up the corporate group means that the appropriation of the surplus value created in Slovakia is shifted and distributed towards the Swedish economy. The international production of the commodity emphasizes a distinction between the production and capture of value between different national jurisdictions with different conditions of production, which serves as the foundation for the continual capture of value throughout the advertising campaign.

6.2 THE VALUE CAPTURE AND FUNCTION OF THE CAMPAIGN

The advertising campaign is an attempt at increasing the rate of realization of the HF's commodity using the global digital space of Facebook to target individuals within the physical space of Sweden. Shifting the focus from an international relationship of surplus value appropriation between Sweden and Slovakia, to a national scale advertising campaign which is produced and distributed internally in Sweden. It is conducted through the digital space of Facebook and partly produced by an Advertising Firm in Malmö (AF). The AF's function is to enhance the effectiveness of the campaign by data analysis and targeting (Interview, 1). The capital flow – on its way to Facebook through its purchase of advertisement in their online space – originates in the productive activities in Slovakia, and is partly captured by the HF in Halmstad and partly captured by the AF in Malmö, Gothenburg, and Stockholm before it ends up within Facebook (Interview, 2, Interview, 1). Similarly, the firms who capture value at this stage is consistently characterized by their unproductive labor. In relation to the commodity, the profit of the AF is derived from its estimated ability to facilitate the HF's commodity realization, thus not receiving their profit from appropriating surplus value from their own labor.⁷

While the HF is preparing to outsource the last of its productive activities towards Slovakia, it is also moving its headquarters to Helsingborg. The shift from Halmstad to Helsingborg by the HF is symptomatic of the recurring theme of the campaign's capital

⁷ However, the firms may still cut wage cost's to decrease overall cost within the production of advertisements. But this should not be interpreted as appropriating surplus value from that labor, rather circulation of capital is a necessary cost of production – making its capital flow and labor unproductive, but *still* able to have precarious working conditions. Just because the labor is unproductive does not mean it is not exploited by the owner of the means of production (Marx, 1992[1885], p.p. 225; Meiksins, 1981).

flow at national scale of Sweden, which is captured in Swedish urban cores. The AF's activities are conducted by its IC in Malmö, entailing value capture in the form of wage. It is taxed in Gothenburg, and the profit is accrued to the company which entails reinvestment – and capture of value – into Malmö, Gothenburg and Stockholm. The unproductive IC of the HF's move from Halmstad to Helsingborg will mean value captured in the city of Helsingborg rather than Halmstad.

The campaign was formulated by a need for the Halmstad Firm to expand their presence within the construction sector of Sweden. It is formulated in Swedish and targets Swedish citizens. The main purpose of the campaign is to market their product indirectly – influencing the perception of their commodity in a general sense within the construction sector. As the commodity sold by the Halmstad firm is an input into an external manufacturing sector and not a retail good, marketing is consequently harder as the target group for direct conversions are individuals managing purchases within the construction firms. To combat this, the campaign aims at spreading information to a multitude of both workers, managers, and owners within the construction sector, in the hope that they can influence the overall perception of the usefulness of their commodity and increase market share in the long run (Interview, 2). That the campaign strategy is long-term and not immediate, is visible through the profit margin of the main commodity advertised in relation to the cost of the campaign. If the campaign were supposed to quickly cover its own costs, 16% of all views of the campaign had to lead to sales (Contact 2, mail). A number far from the average conversion rate suggested by Facebook of approximately 1% (Facebook Ad Manager, n.d.). Consequently, the Halmstad Firm turns a small profit by selling their commodity, but primary profit is expected later through selling services or other products in relation to the commodity. As the above estimation of conversion rates in relation to profit suggests, their revenue model regarding the campaign is dual and the short-term profit of sales is linked to long term profit of expanding the sale of services.

The core business of the AF is online marketing, wherein they are hired for their expertise in optimizing the tools which are provided by Facebook or Google. Making their economic function – and their revenue stream – a consequence of increased amounts of the realization of the commodities of external firms. But unlike Facebook's rentierism, the AF are simply mediating the capital flow and providing a service in the form of labor.

The AF is both located in and has customers primarily in the three largest cities in Sweden (Interview, 1) and consequently the capital flow of the campaign is directed to urban areas. Of the 10 171 USD cost of the campaign, the AF captured 2677 USD (535 value added tax (VAT) within Sweden) and the remaining 2 142 USD is profit and wage (Contact 1, mail). For this, the manufacturing firm received an estimated 32 work hours (Interview 1). 2 736 USD went into LinkedIn (which will not be further examined) and 4 758 USD went into Facebook; a capital flow rerouted to Dublin which will be further examined in section 6.3.

At this scale, the production of the advertisement campaign is centered around Swedish urban cores. Value is captured through the AF in Malmö, Gothenburg and Stockholm and the HF is preparing to move out of Halmstad to Helsingborg soon⁸. The HF is thus shifting their unproductive activities towards a larger urban economy which is symptomatic of the value capture throughout the advertising campaign and, consequently, the movement of capital through unproductive labor toward larger, urban, zones (Lefebvre, 2003[1970]). The AF's presence in Sweden's three largest cities, and the successive capture of profit for the campaign in Gothenburg and wages in Malmö, distributes the surplus value captured from the HF into the urban cores of Sweden. The success of the HF and its outsourcing of productive activities is also followed by the movement of unproductive activities and the capture of value in larger cities. Illustrated in Figure 5 is the geographical distribution of money capital in tandem with the value function of the economic activity.

⁸ Helsingborg is a considerably larger city with a population of around 150% of that of Halmstad and almost a doubled yearly taxed revenue (Helsingborgs Stad, 2019; Halmstads Kommun, 2020) in tandem with less distance towards both Malmö and Copenhagen, Helsingborg is a larger urban economy with more capital in circulation than Halmstad.

The Distribution of Money Capital throughout the Advertising Campaign

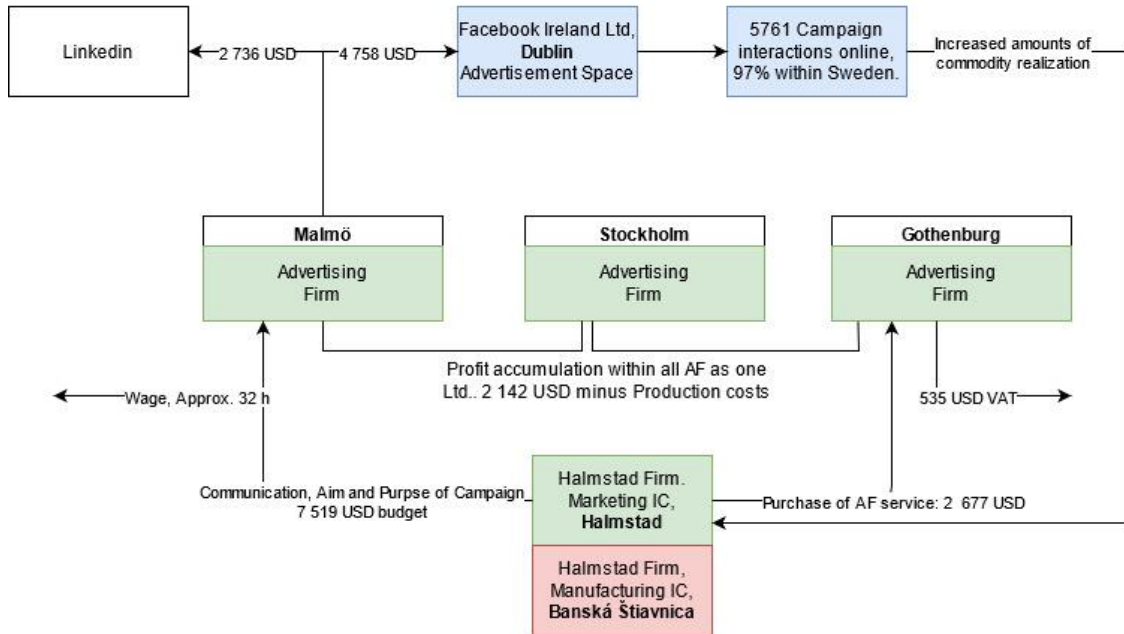


Figure 5 The distribution of Money Capital throughout the Advertising Campaign. Illustrates the purchase of the service of the Advertising Firm by the Manufacturing firm and the circulation of money capital by that transaction. Productive activities in Slovakia in red – Green is the unproductive services used to facilitate the rentier online space (Blue).

The different actors constituting the production of the advertisement is the marketing IC of the HF and the Malmö based AF. The campaign sees a distribution of money capital centered towards urban cores in Sweden, most notably Sweden’s three largest cities. Similarly, the strategy of the HF in looking for ways to capture more surplus value does not only outsource their manufacturing to Slovakia, but also move their unproductive activities to Helsingborg from Halmstad. The dual aspects of movement by the HF points to two parallel processes of capital movement (Lefebvre, 2003[1970]; Arboleda, 2020) – offshoring of productive activities, and clustering of unproductive brand activities in cities. The former, surplus value creating activity remains within a hierarchical supply chain of the brand owning firm which captures value – and taxes it – in an urban area. At this stage, the advertising campaign capture value within Swedish cores, but at the same time, it is but an extension of the competitive process of the HF – for whom the twofold process of competition is manifested physically in their reallocation of both productive and unproductive activities to cut costs in production and increase capital circulation.

6.3 RENTIERISM OF DIGITAL SPACE AND CAPITAL CIRCULATION OF FACEBOOK

The advertisement campaign constructed and distributed internally within Sweden is based in the tools provided by Facebook, a global producer of digital space. Once again, the firm structure of Facebook is international both in its production of digital space and distribution of services. Sweden has an interesting position in this global production of digital space, as it is not only a site for everyday life (user) production of the digital, but also contains part of the material infrastructure of Facebook through its server hall in Luleå. Internal to Sweden there is a clear case of the dichotomy within the business model of Facebook, between the low value capture activities of the server hall production and the successive greater value capture of their online marketing presence. The spatial distribution of activities mirrors that of the HF, wherein the low value capture of the manufacturing of digital space stands in contrast to the high value capture of their digital services external to Sweden. Dublin is the high seat of Facebook in Europe, focusing the international capital flows of Facebook into this single urban tax haven. As every transaction made with Facebook within Sweden is billed to Ireland, once again the conditions of production and international division of firm activities is front and center. But within this case not because lower wage costs or high demand for a specific type of labor, but for the purpose of taxation.

6.3.1 The Business Model of Facebook and the Production of Digital Space

Facebook as a rentier is reliant upon users and their engagement. Without users, there is no data gathered and no target to advertise to. The number of users as such play a significant role for capital to be able to be realized through their platform. As such, the economies of scale of Facebook are highly relevant – as its profitability is directly tied to its aggregated number of users while it gets a relative advantage when those users are captured within their digital infrastructure (Facebook Inc., 2021, p.p. 8-15). Facebook has

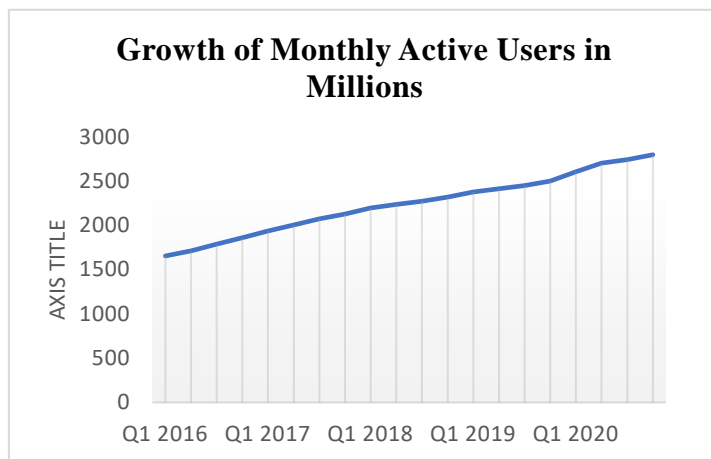


Figure 7 Facebook's growth in Monthly Active Users (Tankovska, 2021)

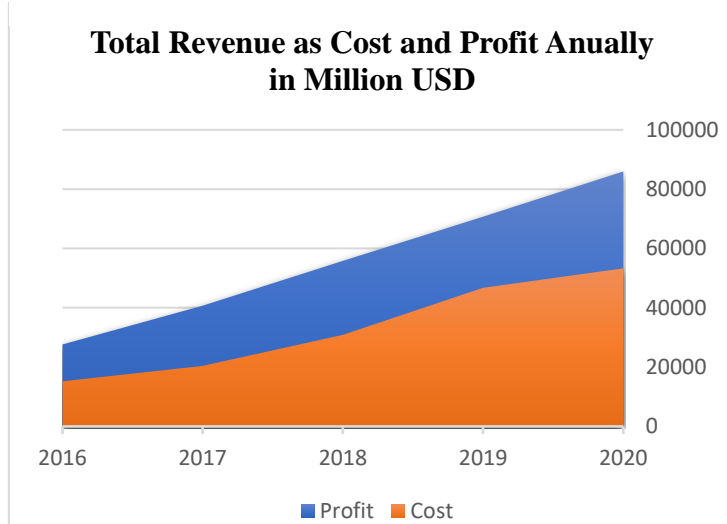


Figure 6 Total Revenue of Facebook as Cost and Profit (Facebook Inc., 2021).

more than 2.4 billion active monthly users – more than half of the worldwide population with access to the internet (Johnson, 2021). The increase in users (Figure 6) stands in relation to its growth the last 4 years and (Figure 7) (Facebook Inc., 2019, p.p. 44). Facebook incorporates other digital spaces such as WhatsApp and Instagram (Facebook Inc., 2021) and is the sixth largest firm ranked by market capitalization, meaning that the total valuation of the company (by current price of its assets and stocks) is roughly 583 billion USD (Szmigiera, 2021).

Facebook's revenue stream is by 97% generated through advertising (Facebook Inc., 2021, p.p. 66). Two central aspects are of note; that Facebook are completely dependent upon an external commodity to market; and that its potential profit is heavily relying upon the amount of, and activity of,

their users. *“The increase in the ads delivered was driven by an increase in users and their engagement, and an increase in the number and frequency of ads displayed across our products”* (Facebook Inc., 2019, p.p. 44).

The advantages of online marketing are partly its ability to transcend physical space and identify targets no matter location. But Facebook’s diverse audience also has other advantages. On why the campaign invested more into Facebook than LinkedIn, the AF answered: *“The reason we decided to invest more into Facebook was that we saw that we gained a lot more traffic from that direction. It’s often that way with Facebook and Instagram, there is often a significantly lower click-cost which entails that we can get more clicks and more visitors for a lower cost.”* (Interview 1). Similarly, the AF identified what they saw as the main advantage of digital advertising: *“/.../ the ability to track and target a specific group. And when I say ability to track, I mean the ability to track and measure”* (Interview 1). Facebook has roughly double the users than LinkedIn in Sweden (Tankovska, 2020; Statcounter, n.a.). Its low click cost and ability to track data effectively should be understood in relation to its ability to enclose users in its platform. More users within their system not engaging with their competitors allows the extraction of a higher rent. Facebook themselves identifies this enclosing and production of their online space as key points to remain competitive. Some main threats to their business model identified by Facebook include *“users increasingly engage with other competitive products or services;”* and *“we fail to introduce new features, products or services that users find engaging or if we introduce new products or services, or make changes to existing products and services, that are not favorably received;”* (Facebook Inc., 2021. p.p. 8).

For the campaign, the choice of advertisement via Facebook is intrinsically tied to their ability to cut costs (click costs) which in turn is dependent on their ability to enclose their digital space. The ability to enclose is directly tied to the use value of their services online, and the user’s successive enjoyment of the space as a social sphere. Producing new services which increase the use value of being on Facebook is key, but so is the users own engagement with the space. The social media aspects of Facebook, not only its utility, is as such key for reproducing the online space in a competitive manner. A primary threat as such becomes that; *“user behavior on any of our products changes, including decreases in the quality and frequency of content shared on our products and services;”* (Facebook Inc., 2021. p.p. 8). At the present, it is not enough to simply provide

efficient and useful tools to the users, but the use values provided by Facebook must encourage the users to produce social space on their own.

The choice of Facebook as a digital platform within the campaign rests upon the effectiveness of its marketing in relation to its price, to establish this price efficiency, the online users must be engaged to produce their own space – and in extension, Facebook needs to continually invest into novel services to encourage this behavior. The advertisement campaign used the services of Facebook because of the inherent advantages of online marketing, but also because Facebook, with its large size and many users, could provide what the HF and AF recognized as a competitive price. Consequently, the threats to the business model of Facebook falls under two categories; 1) the inability to increase users and user engagement as well as; 2) quality and frequency of advertisement. As the price and quality is interrelated, the amounts of users and their successive amount of interaction also affects the overall ability to appropriate surplus value (Sadowski, 2020).

The individual action of producing digital space through everyday life activities (Lefebvre, 1991[1974]), is central to the ability to appropriate surplus value. Turning the (digital) everyday life of the individual into a condition of production within digital space, wherein they are worked upon by tools (algorithms) to transpose them into a profitable element. The development, control and use of these tools by both Facebook engineers and externally related marketers is what constitutes the unproductive labor within production of the online rentier space. The unproductive labor in tandem with the quality of the tools of production are not enough on their own, but the quality of the condition of production worked to produce the advertisement is equally as integral to the quality of the product. Consequently, as the condition of production responds to successive capital investments into space, the digital advertising space of Facebook is characterized by *Differential rent II*.

The implications of the revenue model being based in Differential rent II rather than Differential rent I rests upon the difference in the preconditions of the space's ability to construct rentier relations (Marx, 1963[1863]). As the space does not inherently enjoy the conditions of rentier extraction by itself, but only does so after successive rounds of capital investments, the scarcity of the space is a result of capital investment, not by any inherent – “natural” – property of that space. To understand the revenue structure of

Facebook business expenses, looking at the different methods and capital investments into their space as Differential rent II helps to identify the underlying economic incentive. Facebook's continual reinvestment into their space is an attempt to enclose it, to capture users within their network of services. The nature of their rentier relation then, is that its capacity is increased along the process of enclosing their online space, as differential rent II responds to capital investment, so does the online space's condition of production.

Looking at Facebook's costs of production, in 2020 the percentage of revenue invested into research and development – tools to either capture users or make the data gathering from already captured users more efficient – was at 21% (Facebook Inc., 2021, p.p. 67). Consequently, the digital space of Facebook is a competitive rentier relation, which entails a continuous expansion of the conditions already established to remain competitive. It can only profit as a rentier if it defends its condition of production, thus making the free services key to defend its position. Consequently, it must continue investing capital into novel use values and functions improving and reproducing its online space.

The studied campaign spent 4 758 USD of the advertising budget on Facebook. Facebook also constituted the major source of visitors with 5761 users interacting with the campaign making the cost per visit to the campaign site 1.21 USD (Google Analytics, 2021). The choice of investing more of the money capital into Facebook than LinkedIn were done when the advertising firm noted that they got more traffic for a better price via Facebook advertisements. Interviewee one notes that *“LinkedIn often have higher costs per click but sometimes you get more high-quality traffic”* (interview, 1). Quality in this sense is measured through the activities of the traffic, the more they engage with the commercial, the higher quality traffic they constitute (Interview 1). Facebook constitute a larger platform with more users, wherein individuals produce the space for a multitude of personal reasons, ranging from leisure to politics. LinkedIn everyday life interactions is very clearly set within a professional setting. While this may spark some more qualitative engagement regarding certain products, the multitude of everyday life interactions of Facebook contains a larger, diverse, audience.

The two platforms underpin two distinctly different approaches to their users which reverberates in their respective business models. High click costs for LinkedIn where you can reach fewer, but potentially more lucrative consumers. Lower click costs

on Facebook, where you have a more scattered but diverse audience. As the character of the space changes with the framework of spatial production allowed and encouraged by the platform (Lefebvre, 2003[1970]), it differentiates their conditions of production by emphasizing different aspects of social interaction. It also highlights the dependency of Facebook on its aggregated number of users. Compared to LinkedIn, which is trying to produce a more specific space, Facebook is relying on a large number of users⁹ to allow for diversity to rise within the data (Facebook Inc., 2021, p.p. 12-15). Similarly, employing the concept of Differential rent II, the continual reinvestment into the space of Facebook is to capture increasingly more users and further the potential to cut cost on their service – or extract a larger surplus of rent. Since the campaign of the study chose the specific space of Facebook for its low cost, its low cost is central to the business of the campaign, making the specific production of space which produce this advantage central to understanding the revenue stream of Facebook.

The production of digital space as a function of Facebook’s revenue stream is a multiscalar process, spanning both digital and physical space. Understanding Facebook’s revenue as a form of rentierism entails the importance of the continual reproduction of the digital space’s user interaction, through continuous technological development of both 1) tools to attract users and 2) tools to gather and target data more efficiently. Facebook’s research and development expenses has steadily been climbing since 2016

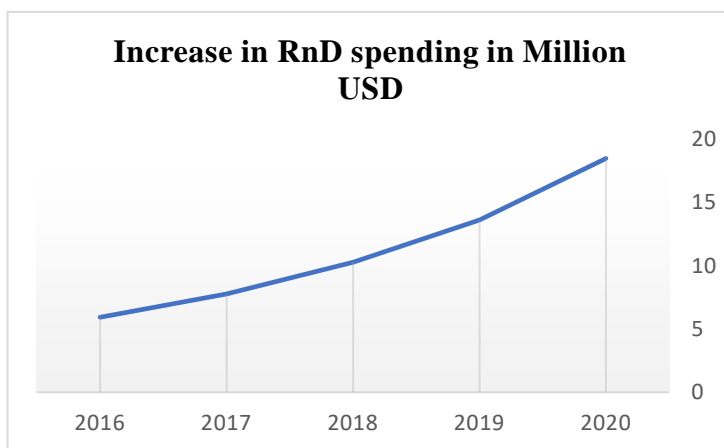


Figure 8 Increase in Research and Development spending by Facebook between the years 2016 – 2020. Data from USSEC, 2021, p.p. 67; USSEC, 2019, p.p. 59.

and can be viewed as an effect of the continuous need of reproducing the online space via use values which enclose their online users (Figure 8). The research and development aspect of their business model is maybe most famously produced in Palo Alto, California (Engel,

⁹ LinkedIn of course aims to grow its user base as well, as it would increase the strength of their respective condition of production. In its current form however, the distinction between the two digital spaces lies within their respective formulation of their digital space, and LinkedIn’s smaller size tries to compensate with more “quality traffic” through acquiring “quality users” (Interview, 1).

2015). Furthermore, users engage with Facebook in their own locality, which is a prerequisite for their advertising, as it allows for a diverse set of geographies to market to. Finally, infrastructure, such as the server halls in Sweden is the material foundation of the production of digital space. Together, they shape the multiscalar production of digital space (Lefebvre, 2003[1970]), which in turn is characterized at every step by its primary function of capital realization. The campaign purchase of Facebook's digital space should as such be viewed as a purchase of an aggregated amount of specific attention by specific viewers, but one that is intrinsically tied to the viewers own engagement and reproduction of the digital space. Facebook is a facilitator of external commodities rate of circulation and extracts rent on that basis, but it is likewise a facilitator of social space, mediating and designing their online space as to induce interaction in a way profitable for them. The rentier business model is as such a continual process of mediating and inducing social interactions in digital space as to control the condition of production of online digital space.

6.3.2 The Distribution of Money Capital and Value Captured by Facebook

The distribution of money capital within the GIC of Facebook is inclined towards Facebook's presence in urban cores, be it Dublin or Delaware. The value circulating is far from its source in Slovakia but has already been passing through different forms of unproductive firm activities in both Sweden, Ireland and the US. Still, the function of the capital flow is to increase the realization of the original commodity made in Banská Štiavnica – whose original productive activities must remain core to the understanding of the current capital flow.

The production of the digital space of Facebook rests upon a global infrastructure of different individual capitals. Different nations carry different activities of Facebook, based in their preconditions for Facebook to turn a profit. Most notably, the case of Dublin, since that is where the money capital spent on Facebook by Swedish firms to advertise within Sweden is debited (Facebook Support, n.a., Contact 3). Consequently, the advertising service of Facebook is sold and taxed via Ireland in accordance with EU trade agreements which entails no barriers for goods sold between its member states (European Commission, 2020). Figure 9 illustrates the structure of the direct purchase of this campaign in tandem with the different subsidiaries used to organize the sale of advertising space online.

Purchase of Digital Space of Facebook and Facebooks Corporate Structure

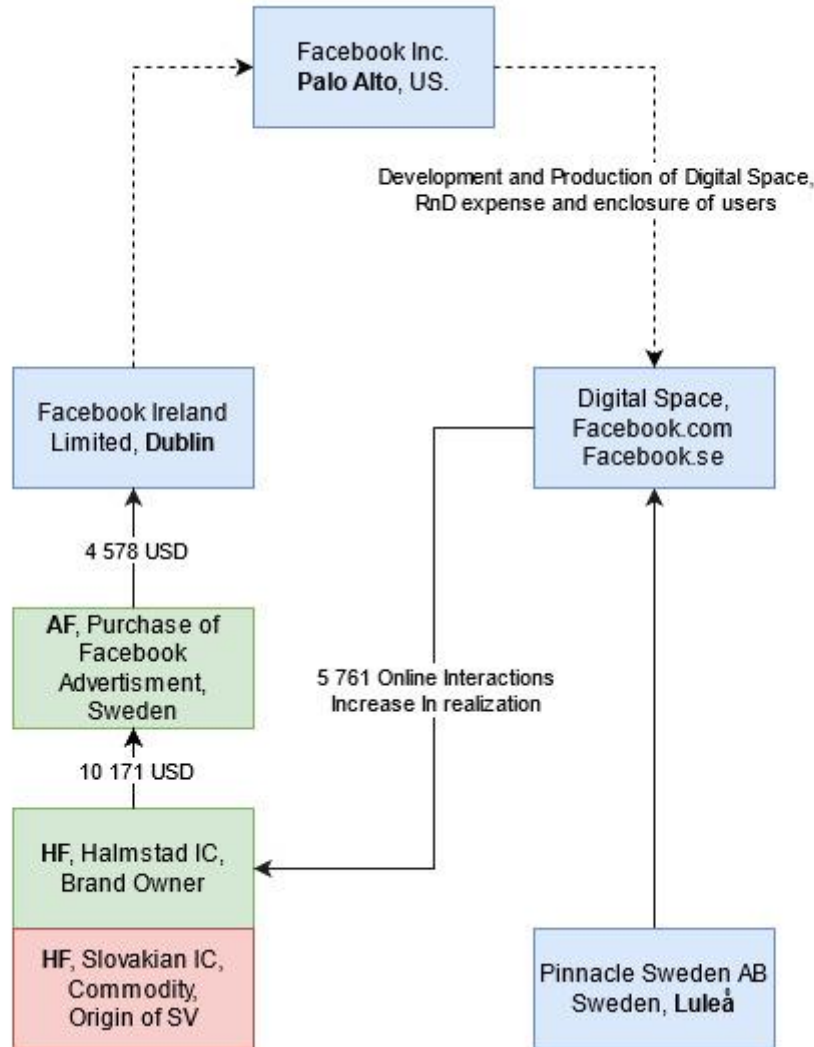


Figure 9 Purchase of Digital Space of Facebook and Facebook’s Corporate Structure. Illustrates the structure of the direct purchase of this campaign in tandem with different subsidiaries used to produce digital space. Red is the original surplus value creation, which is captured partly by unproductive services (Green) which facilitate Facebook’s rentier (Blue) model. Which is then partly reinvested into RnD and the server hall.

Pinnacle Sweden AB is a Swedish subsidiary of Facebook which take part in production of the material aspects of digital space through its server hall (Pinnacle Sweden AB, 2020). In contrast to the profit flow of the advertising campaign, whose profits originate from the external production of a commodity, Pinnacle Sweden AB, physically produces the material foundation of the immaterial digital space and rents it out to Facebook. It is a small return of value capturing into Sweden through Facebook’s online rentier structure, even if the capital-intensive business of the server hall does not

capture much value in comparison to the rentier capital flow it supports (Ibid, p.p. 3-4; Facebook Inc, 2019, p.p. 43).

Constant capital and land are the primary assets of the server hall. The wage paid in the locality is minimal, mostly since the number of employees amounted to 58 during 2019 (Pinnacle Sweden AB). The most notable cost of their production is the depreciation of their capital stock, which encompassed 82% of their expenses 2019 (Ibid). All in all, the income of Pinnacle Sweden AB comes from renting out servers to Facebook, and of the 406 million USD revenue, roughly 7.35 million USD is captured by taxation in Sweden. This is mirrored by a capital stock depreciation of 301 million USD (Ibid). The production of the online digital space within Luleå is as such not a business which captures a lot of value within its locality – or Sweden in general.

Overstating the rate of depreciation of the capital stock is a common way of avoiding tax. By exaggerating the cost of capital depreciation for the business the firm can effectively lower the taxable profit (Hadzhieva et al., 2016. p.p. 48). Similarly, the depreciation of the capital stock is here the circulation of the constant capital used in the production of digital space. Facebook's fixed capital circulates as well, in this form as the labor reified within the technology and tools of the server hall is dispersed throughout its lifecycle (Marx, 1992[1885]). There is here the dual presence of Facebook as depicted within the theoretical framework (Figure 3, section 4.3, p.p. 29). The interplay between physical space, which creates the infrastructure necessary for digital space, wherein users are enclosed to create the rentier condition. While the capital flow of the campaign is rerouted internationally, the aspects that produce the material foundation of digital space does not capture a lot of value. On the other hand, Sweden has a physical presence of Facebook which captures part of their profit, most countries do not¹⁰.

One of the key regulations contributing to Facebook's revenue is the intangible property law (Loomis, 2011). An intangible property is an asset which have no physical substance. It can include brand identity, intellectual property rights, copyrights,

¹⁰ There is a third presence of Facebook in Sweden in the form of a consulting firm (Facebook Sweden AB). It is akin the AF, in that it is unproductive labor concerned with aiding firms in the use of digital space rather establishing the rentier condition of digital space. Regarding their business model, 97% of Facebooks Sweden AB's purchased input is reported being conducted within the corporate group. With a total cost of 176.8 million USD in 2019 listed as purchased inputs, 171.4 million USD goes into the corporate group. That entails most of its 2019 revenue of 201.6 million USD and is consistent with how international corporations use intangible assets to redirect profit flows (Loomis, 2011; Facebook Sweden AB, 2020).

trademarks, or patents. Through shifting the individual capital who owns an intangible asset, the firm can allocate the asset to a location which is then the international receiver of the profit from the given patent or copyright (Hadzhieva et al, 2016, p.p. 8). In combination with free trade agreements within the EU, Facebook can both avoid tax through shifts within the ownership of intangible properties and sell products from their country of choice. In 2015, it is estimated that the Facebook group paid an effective tax rate of 0.03% within the EU, as all transactions are directed towards Ireland (Tang and Bussink, 2017).

The capital flow of the advertising campaign originated in Slovakia, in the production of a commodity within the hierarchical firm structure of the HF. The total cost of the campaign was 10 171 USD, of that 4 748 USD went into the purchase of digital space of Facebook and was captured in Ireland. If the campaign is profitable in the long term – the increase in commodities sold must cover the cost of the marketing campaign. With a profit of 12.50 USD per commodity, this means (if extra services sold in relation to the commodity is excluded) that roughly 814 commodities must be sold (Contact 2, mail).¹¹ Of those 814 commodities, the surplus value of 383 commodities are appropriated by Facebook as profit, and the equivalent of 1/10 of the surplus value of one commodity is paid in tax in Ireland. In the case of taxation in Dublin, the proportion of value captured in the locality is minimal compared to the magnitude of the capital flow. Facebook's profit minus tax, the surplus value of 382 and 9/10 of the commodities, is then accrued to Facebook, and reinvested into the activities which reproduce their rentier condition, which include research and development and cost of revenue (Facebook Inc., 2021, p.p. 72). The former is interpreted as the reproduction of the digital condition of production, the necessary technological development to either capture users or make data gathering on existing users more effective. The latter is the reproduction of the already

¹¹ If services of the HF were included, it would boost the overall expected profitability of the campaign for the HF. But as we are looking at the value captured within this campaign, the selling of services does not alter the relation of value captured when it comes to the underlying commodity from Slovakia but is a separate productive capital flow. Lack of data on the correlation between the realization of the service and the commodity, as well as the profit margin of the services sold would only cloud the analysis of value capture within this process. However, it is important to note that for the HF services and additional goods is an expected source of income in the long run (Contact 2, Interview 1).

existing material and immaterial infrastructure making up digital space – together they attribute 69% of Facebook’s total costs, and 38% of the revenue.¹²

If the value relationship within the campaign is scaled up to represent the aggregated profit flow of Facebook’s revenue in 2019 (Facebook Inc., 2020), the surplus value of 130 commodities is profit which flows into Ireland and the US, while 253 commodities are the cost of production. Of those 253 commodities, the surplus value of 2 go back into the server hall within Sweden. In addition, the business is capital heavy with high production cost, entailing a tax in Sweden on those 2 commodities are quite minimal. Resulting in a surplus value capture of 1/50 of a commodity captured by the server hall¹³. In relation to the surplus value of 130 commodities as profit, the material aspects of the production of digital space does not capture a significant portion of the value accruing through the rentier model of Facebook’s digital space.

Research and development are most famously done within the cluster in California. Consequently, the successive reproduction of existing spaces of Facebook is just a continuation of their already established spaces of production. The existing infrastructure is to a large part urban (Facebook Inc., 2021.p.p. 124) as many of the subsidiaries of Facebook has a presence in urban zones. For example, Delaware in the US has holding companies, legal firms, the office of Instagram and tech firms owned by Facebook. Value in the shape of profit for Facebook is as such largely reinvested into urban areas within the US economy. Similarly, some of that value does not go towards developing use values to uphold – or increase – the existing rentier condition of the digital space but is used to reproduce its material foundation. The revenue of Pinnacle Sweden AB primarily consists of renting out servers to Facebook. Making their revenue part of the profit from the advertising campaign as capital loops back on itself to reproduce the conditions of production enabling its appropriation.

The money capital redistribution on a global scale of Facebook becomes redirected towards urban cores – a tax haven in Dublin, research in development in Silicon

¹² Other costs include administrative costs (10%) and marketing and sales (21%). Which can have many different functions, but also attributes to the reproduction of their digital online space (Facebook Inc., 2021.p.p. 72).

¹³ The value relationship as estimated here is of course not true for the whole of Facebooks business model, as many variables change, and different commodities extract surplus value at different rates. However, in relation to the campaign it serves to illustrate the relationships of value capture. Calculated from the interfirm cost/revenue relations reported by Pinnacle Sweden AB (2020) and Facebook Inc. (2020) for the fiscal year of 2019.

Valley or different subsidiaries in Delaware. In contrast, the material prerequisites of their online space, which receives capital to reproduce digital space – in this case the server hall in Sweden does not capture a lot of value in relation to the magnitude of the capital flow it supports in creating. The HF's attempt at increasing its market share through advertising emphasizes the aspect of circulation of capital, which in this specific case reroutes surplus value to cities through unproductive firm activities. Entailing an unequal distribution of value not only between the original productive activities of the Slovakian IC and the Halmstad IC within the HF, but throughout the process of advertising as a whole.

7 THE DISTRIBUTION OF CAPITAL THROUGH FACEBOOK'S RENTIERISM

Facebook, through its digital space, circulates the capital of external producers. As seen in the campaign, the HF's purchase of the services of Facebook had the intent of increasing their realization of a commodity produced in Slovakia. The surplus value reified in the commodity becomes the source of value captured throughout the campaign, as all the different agents involved – The AF, Facebook Ireland Ltd., Pinnacle Sweden AB – have their activities connected to the potential profit from selling *more* of the original commodity. Facebook as such acts as a facilitator of the circulation of capital. While the Slovakian firm produces a commodity and extracts value from the labor process, successive faster turnover rate of the commodity leads to a greater amount of surplus value able to be appropriated from the production process (Marx, 1992[1885]).

It does so through the enclosure of users on Facebook's social media platform. The rentier model of Facebook is in this sense completely dependent upon reproducing use values for their users, as the users is the condition of production of digital space. Enclosing users on the digital platform reinforces Facebook's ability to collect and manage data while removing the condition of production from their competitors – controlling the ownership of the scarcity element of digital space. With enough users, a rentier condition is established wherein Facebook's digital space can capture surplus value by facilitating the realization of external commodities. This rentier condition needs to be reproduced, and the successive enclosure of the digital space of Facebook requires further capital investments to uphold. The more users Facebook enclose, the more value they can capture – both regarding efficiency of their own product and the inefficiency of their competitors.

The organization of Facebook then is the dialectical relationship between the physical space and digital space. While digital space spans distance and is oblivious of location other than when it can be used through targeting advertisement, the physical space of Facebook is location sensitive in that it is fragmented into different national jurisdictions depending on the specific advantages a place gives its production. The multiscalar organization of its firm infrastructure – server halls in northern Sweden, international profit capture in Dublin, research and development in the US and global

distribution of its digital space – aim to maximize value captured by making each individual capital as efficient as possible. But as mentioned above, the core part of Facebook GIC is not its own firm infrastructure, but the origin of the value it captures. As such, the study traced the circulation of surplus value throughout the advertising campaign and its origin in Slovakia that is the source of profit for Facebook. The firm infrastructure internal to Facebook is the production of its service, but the value captured is external, in this case originating in the Slovakian firm and their production and supply chain structure.

The different spaces of the GIC of Facebook then includes both its own production, and the production of the commodities it circulates. Facebook as a corporate entity is reliant upon the marketing and appropriation of external industries, entailing a role not only as a facilitator of a specific firms selling of goods, but a facilitator of the social relations of production those goods originate in. The digital economy often referred to is nothing but the continued facilitation of the social relations of production already present and is not revolutionary in any other way than its effectivization of certain aspects of capital circulation and mobility. Value captured and redistributed throughout the campaign emphasizes the primary hierarchical firm structure between the Slovakian IC and the Halmstad IC within the HF – and the involvement of Facebook into this equation is the attempt at maximizing this already established relationship of value capture. The consequence is that value is captured by Facebook as well, which relies upon urban cores for most if its firm activities. Peripheral production activities like the server halls in Luleå do not capture much value compared to the capital flow they take part in producing.

Similarly, Facebook's benefits as an international corporation with several corporate IC's allows them to shift profits out of highly taxed locations like Sweden, be it through an overestimation of capital depreciation, international trade agreements, or shifting profits through intangible property laws. The money capital distribution is as such characterized by Facebook's global presence, just as the distribution of wealth between Slovakia and Sweden is characterized by the hierarchical relationship between the ICs'. The activities of Facebook in Sweden capture most of their value external to Sweden. Meanwhile, the advertising campaign, capture a significant part of the surplus value originating in Slovakia in Swedish urban cores.

Consistently, the different IC's within the GIC of Facebook capture value primarily in cities through their unproductive activities. There is a tendency within this campaign of value capture accruing to urban agglomerations wherein the unproductive activities throughout the campaign have been located. Throughout the campaign, when delimiting the analysis to a specific function within the GIC, the capital flows – be it the original surplus value extraction from Slovakia, the formulation and distribution of the advertisement campaign, or the production and consumption of Facebook's digital space – consecutively gravitates towards a larger urban economy on different scales. Similarly, on a macro level, when viewing Facebook as a multiscalar organization of the circulation of capital in its totality, value is primarily extracted in Slovakia and captured in either Ireland or the US. Consequently, Facebook is an increasingly globalized producer of advertising, which facilitates already existing structures of unequal value distribution.

7.1 FURTHER RESEARCH

Due to limitations, both in time and resources, this study only scratched the surface of the supply chain of the commodity. The Slovakian IC in the study is reliant upon a global stream of inputs, all which contain precarious social relations of production in different geographies around the world. Great works on the multiscalar production of certain commodities have already been made (see Arboleda, 2020, and Campling et al., 2012) and have been a primary source of inspiration for this thesis, but an extended GIC analysis of the dualistic presence of digital platforms – both as a medium used in everyday life, and as a facilitator of exchange – throughout the global supply chain of a specific commodity would certainly be illuminating. Similarly, an expanded investigation into the more specific aspects of the social relations of production and reproduction within the localities that support aspects of the supply chain of Facebook would be increasingly relevant to tie this somewhat macro-economic theses to the life under late (digital) capitalism.

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