How Uber attracted capital in its several forms turns out to be neither innovative nor ingenious, merely delusional beyond the point of fraud.

Uber

Uber Technologies Inc. lost $20bn in the five years to 2019, despite revenues growing fivefold. Without forcing down the take-home pay of its ‘partners’, and purloining the ‘Safe Rides Fee’, Uber’s combined losses would exceed $US100bn. Not even a Wall Street so febrile as to over-subscribe an issue of 100-year Argentinian bonds could ignore those numbers so that Uber’s May 2019 IPO came in at around half of its vaunted valuation of $120bn.¹

Despite that flop, the chatterers still fail to grasp Uber’s master plan.² To cut through its ‘propaganda narrative’, we should ask exactly how, if at all, Uber differs from any other cab company, beyond recruiting a network of operatives on-line. That their labour provides a service rather than a physical object is now the case for a majority of wage-slaves in O.E.C.D. economies. Drivers for UberEats add value³ to physical commodities but are a drain on the parent company’s bottom line.⁴ Uber’s ‘secret ingredient’ is neither its smartphone app, which is much the same as cab companies have used for years;⁵ nor its use of Greyball to obstruct law enforcement; nor in its copy-cat tax-dodges⁶ - were it ever to turn a profit.

Uber’s gambit in 2007-9 looks rather like the front-end of a Ponzi scheme for which Silicon Valley stumped up $US13 billion. In the text-book scam, funds from subsequent investors would have paid dividends to the initial subscribers. Instead of preying on the ‘greater fool’, Uber always intended to burn through the $13bn to subsidise fares and to extend service levels to reap monopoly profits after it had driven out competitors. Oligopolies resort to loss-leaders to retain market share: Uber blew that tactic

⁴ Forbes Asia, April 2019: 55-7.
⁵ Nick Smicek does not quite get it, Platform Capitalism (Cambridge: Polity, 2017).
out into a strategy for a new entrant to seize multiple sales zones in double-quick time from a standing start. A Libertarian Blitzkrieg from a monomaniacal Ubermensch did not pay. His downfall came in June 2017 when his backers insisted on going public to get back some of their investment.

What distinguishes Uber’s relationship with its workforce is that the company does not hold title over much of the fixed or circulating constant capitals. Neither expense is ‘shared’ between the personifications of money-capital and their ‘partners’ who supply the fixed-capital with their late-model vehicles and also the circulating capital to keep them on the road. Uber boosts its extraction of value by getting its capital equipment as a gift from its ‘partners’. This free-loading reverses how capital-within-capitalism continues to turn self-sufficient producers into wage-slaves by stripping them of productive property. Its founder did not expect that his ‘partners’ could also use social media to fight back to secure benefits, above all, for the law to judge the ‘partnerships’ to be yet another expression of wage-slavery.

Uber’s pitch around its drivers’ becoming its ‘partners’ conceals how that social relationship has nothing in common with its partnership with Saudi Public Investment Fund. The owner-drivers will never be more than micro-businesses.

Protesting labour conditions and wage-cuts, however, will never penetrate the ‘actual inner movement’ of the forms and circuits of capital accumulation. Uber exemplifies some while skating over their consequences in its PR releases.

In contrast to the Coca-Cola Company, which outsourced its capital requirements from the 1890s by franchising bottling operations to family firms as large as itself, Uber hitched a ride with the reconfiguration of the franchise into a device of to extract rent by imposing all manner of predatory

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7 For why a vehicle on the road is fixed-constant capital while its fuel and load are circulating-constant capitals, Marx, Capital, II, 242; my “Capital Refined,” www.surplusvalue.org.au/mcqueen_marxism
8 As Marx observes: ‘A musical conductor need in no way be the owner of the instruments in his orchestra …,’ Capital, III, 511.
12 See my The Essence of Capitalism (Sydney: Sceptre, 2001), chapter 5.
fees and obligations on franchise-holders cornering them into underpaying their staff to ward off bankruptcy.

To keep conning legislators, investors and the media, the ‘propaganda narrative’ had to keep rolling. A $500m. campaign to restore the corporation’s image laid another egg.\textsuperscript{13} Grappling with losses of $US4.7bn in 2017, UBER’s new CEO came to realise that he had to go on pretending that it could finance vertical-liftoff aircraft (VLOL) as well as driverless cars (AV) to prop-up the IPO that he brought forward to secure his job. He suspended the latter after a test vehicle killed a pedestrian in March 2018 but had to revive that arm of the PR effort, which promises that Uber Elevate will operate electric air-taxis ‘within five years’, a safer bet than Tesla’s one-way tickets to Mars. Hovering over such promises is the 2013 quip of PayPal’s Peter Thiel: ‘We wanted flying cars, instead we got 140 characters.’

Whatever is to be done?

Uber might manage the switch to driverless cars by taking one or other of these routes. Along R1, its ‘partners’ would borrow more to acquire the first generation of automatic vehicles which will be much more expensive and less reliable than their successors.\textsuperscript{14} Since many of its U.S. ‘partners’ are sleeping on their backseats and getting by on food stamps, their access to credit will remain remote until sub-prime loans re-emerge from the swamp. On R2, the burden for the fixed-constant capital would rebound to Uber,\textsuperscript{15} which would buy fleets of driverless vehicles from its production division with funds from cashing out more of its stock. The corporation then would be burdened with depreciation of its prime fixed asset, an outcome which would drive its market valuation down further, and keep it shrinking as cheaper and more efficient models roll out from rival auto-making oligopolies with established sales networks.

Given Uber’s record of record-breaking failures, its founders might be well advised to escape from the bother of running a business by unloading shares before parking any take with a wealth-management fund such as

\textsuperscript{13} Washington Post, August 29, 2019.
\textsuperscript{14} Marx, Capital, I, 528; Marx, Capital, II, 154 and 157. Military contracts bear the high first-run production costs of technologies to assist their commercialisation at prices which make new goods competitive with those from lower labour-times, Jane’s Defence Weekly (JDW), April 4, 2018: 28; cf. JDW, 56, April 24, 2019: 26-31. Japan Inc. has long spun-on from commodity production to equip its military on the cheap, Japan Defence Agency, The Defence of Japan, 1989 (Tokyo JDA, 1989), 142.
BlackRock, which shifts $US6.3 trillion on software known as ALADDIN for Asset Liability and Debt and Derivative Investment Network. Global capital is not ruled by ALADDIN although many corporates rent time on that platform.\textsuperscript{16} Nation-market-states are vulnerable to its algorithmic trades which are just about smart enough to track market trends.\textsuperscript{17}

BlackRock and its ilk moved towards this pivotal place during the 1990s as excess capacity in production was blowing out to reappear as excess latent money-capital before the implosion of 2006-9.\textsuperscript{18} This financialisation compounds the churn in working lives as most corporates continue to chase quarterly profit numbers, with the ‘L’ in ‘long-term’ standing for loser,\textsuperscript{19} just as the ‘p’ in an Uber ‘partnership’ flashes phoney, but never profit.

\textsuperscript{16} Forbes, December 26, 2017: 52-4. Perhaps because 11 percent of Blackrock’s employees are IT developers, it ranks towards the low end on the ‘Marx Ratio’ of executive salaries to staff wages, New York Times (NYT), May 22, 2018: B5.

\textsuperscript{17} David Peetz and Georgina Murray, “Restructuring of Corporate Ownership in Australia through the Global Financial Crisis,” JAPE, no. 71 (2013): 76-103.

\textsuperscript{18} Marx and Engels: ‘The crisis itself first breaks out in the field of speculation and only seizes hold of production later. Not over-production, but over-speculation, itself only a symptom of over-production, therefore appears to the superficial view as the causes of the crisis.’ M-ECW, vol.10 (Moscow: Progress Publishers, 1978), 490.

\textsuperscript{19} The Economist, December 16, 2017: 58; March 10, 2018: 60.