Data Capital
Chunlei Tang

Data Capital

How Data is Reinventing Capital for Globalization
Data Capital, *noun*.

(1) A human-created resource that is naturally one capital.
(2) A digital, intangible capital form that claims to cover almost the digital part of all existing capital, from tangibles’ digital twin and intangibles’ measurable aspect, to financials.
(3) The strategic economic resources for the data economy.
(4) A parasitic economic logic to develop new forms of business that serve the industries within the first three categories of Fisher-Clark’s classification.
(5) An intangible wealth marked by concentrations of information, knowledge, and wisdom unprecedented in human history.
(6) A possible sovereign power that is subordinated to modern global architecture but has no physical boundaries.
(7) The origin of a decentralized instrumentation power that asserts dominance over society and brings the opportunities for market democracy.
Abstract

What is the next grand impetus that injects into economic globalization? Big societal problems and other transformations ushered in the digital era lie at the heart of economics. But satisfactory answers have been hard to find for lack of research across disciplinary divides. In Data Capital, Chunlei Tang, Ph.D., lets data speak for itself ranging in data nature, to uncover how the features make a data-rich economy fundamentally different from the previous ones. Her findings will transform debate and set the agenda for the next strategic economic development plan about globalization. Tang shows that data capital as a human-created resource is naturally a capital that will reshape the world economy throughout the next decades. Understanding the importance of data as natural capital is vital in order to counteract and balance dangerous inequities in the future as decentralized instrumentations of power assert dominance over society. Because a decentralized instrumentation power asserting dominance over society will bring the opportunities for curbing dangerous inequalities in the future. As a work for originality and rigor, Data Capital: How Data is Reinventing Capital for Globalization presents possible scenarios for what a data product-rich world might be like and reorients our understanding of economic future.
Acknowledgments

Several years ago, I wrote a book about what to expect from an increasingly data-driven economy. Although signs of the data economy are everywhere now, there remain two challenges with regard to data profits that require attention. The first challenge is figuring out how to derive profits from data. While some argue that bitcoin futures trading represents a highly profitable business, it just provides an arbitrage opportunity characterized by price volatility because their value is based solely on supply and demand. One proper way to obtain profit from data includes not merely the transfer of raw data but add value through the creation of raw data. To put it another way, data profit is achievable from the valuation of both raw data and its derivative data products or services generated through data processing on raw data. In this sense, a digital currency tends not to be the data; meanwhile, cryptocurrency trading via an exchange is treated similarly to an investment that pursues a possible risk premium only.

The second challenge is that data-rich profits can come from various sources—personal, private, or third party—but each stakeholder may not share equitably in the profit return.

Meeting the above challenges regarding data profits will allow us to bridge the gap between a data asset and its capital value. Capital in economics is regarded as one of the factors of production (alongside the other factors: land and labor). Today when capital moves from tangible (e.g., physical capital) to be intangible (e.g., intellectual capital), the data is presented as an amount of wealth that is used in making respective profits to affect the sum of wealth. A clear understanding of this gap in wealth creation motivates me to define and develop the concept of “data capital.” My point of view regarding data capital had the extremely good fortune to win the enthusiastic support of Springer’s Lorraine Klimowich and of Yike Guo from Imperial College London. Guo and I collaborated with on this book proposal, and Klimowich accepted it to make a book contract with me (in 2016).
This book would be impossible without the years of keenly insightful work by Yangyong Zhu and Yajun Huang who glimpsed the world economics under “data nature (that is an artificial ecosystem in cyberspace).” Zhu and Huang taught me to appreciate letting data speak for itself regarding the economic notion of such a new form of capital. Specifically, a discourse on data capital is a data-driven process. Historically, economic research was the prophetic product of Thomas R. Malthus’ overpopulation, David Ricardo’s scarcity of land, and Karl Marx’s unlimited accumulation of capital. One of the obvious drawbacks of these works is the lack of empirical data to support their studies. Inspired by Kuznets curve, modern economists began to employ representative data and abstract mathematical models. With the availability of big data, abstract mathematical models have to be verified and refined with data, for which I offer strategies and solutions in this book.

It’s my pleasure to thank my friends and close colleagues, specifically at Harvard, over the years. Beyond their direct contribution of the thinking to the research on which this book draws, their enthusiasm and energy have fostered a climate of intellectual excitement in which the work matured. I have considered the criticisms of this study which have come to my notice, and have, consequently, modified in this book substantially. I would like to thank in particular David W. Bates, Lynn A. Volk, Joseph M. Plasek, and Eugene W. Mont. More specifically, without the full support from Bates and Volk, I couldn’t systematically present healthcare industrial examples in this book to demonstrate the possibilities of a transformation. Without the efficiency, rigor, wordsmithing ability, and talents of Plasek, our originality on “data sovereigns” might not progress smoothly. Without the careful attention to detail and an impressive capacity for work of Mont, I would never have considered the core issue of how to drive data profit return on equity, which plays a vital role in this book.

Above all, I am grateful to my parents Yiming Tang and Hongjun Lu for their boundless support and encouragement throughout the writing process. I dedicate this book, with love, to them.
Contents

1 Introduction ................................................................. 1
   Globalization and Digital Success in Global Flows ..................... 2
   A Dispute on Cross-Border Data Flows ................................. 8
   Global History of Capitalism ........................................... 11
   From Technology to Data Science, or Primary Productivity to Ecosystem Productive Forces .................. 15
   Putting the Data at the Heart of Economic Analysis .................. 19
   The Scope of This Book .................................................. 24
   The Main Results of This Study ....................................... 27
   Outline of This Book ..................................................... 30

Part I Capital: Something to Nothing

2 Principles of Capital ..................................................... 35
   Fisher on Income and Capital: About Time ............................ 37
       Fisher’s Main Claims .................................................. 38
       Capital and Interest .................................................. 39
       Impatience and Opportunity ......................................... 40
   Piketty on Capital and Inequality: About Classification ............. 41
       Piketty’s Main Claims ................................................ 42
       The First and Second Fundamental Law of Capitalism .......... 43
       Inequality in Capital and Labor .................................... 44
   Haskel and Westlake on Intangible Capital Accounting:
       About Feature .......................................................... 46
       Main Claims from Haskel and Westlake ............................ 48
       “Four S’s” Characteristics of Intangibles .......................... 49
       Inequality in Intangible Capital ..................................... 50
   Bourdieu on Capital and Power: About Pattern ....................... 54
       Bourdieu’s Main Claims .............................................. 55
       Capital with Its Forms .............................................. 55
       Capital Capitalizes Capital ......................................... 56
### 3 The Rise of Data Capital

- Capital Reclassification ................................................. 63
- Capital Classification Described in Economic Literature .......... 68
- Capital Classification Learned from the Internet .................... 71
- What Is Data Capital? .................................................. 73
- A Nominal “Anchor” for Future International Monetary Coordination? ................................................................. 76
- Past, Present, and Future of Monetary Bearings ..................... 77
- Stock Market Is Not Just Backed by Business Achievement ........ 83
- Leading Human Capital to Be Shareable .............................. 89
- Is Human Capital Illusory? ............................................. 91
- What Can Big Data do? Workforce Implications ...................... 94
- An Experiment of Quantifying Data Capital in Social Media Clout .......... 101
- Preliminary Knowledge .................................................. 102
- A Force-Directed Network of Social Clout Capital ................... 104

### Part II Data Capital as Factor of Production

- 4 The Composition of Data Capital ..................................... 109
  - Memories: Stored, Hidden, But Never Erased ...................... 115
  - Mayer-Schönberger on Perfect Digital Remembering .............. 119
  - Big Data Brain ....................................................... 123
  - Use “Fake” Data for Social Good .................................. 127
  - Time: Observations and Conjectures in Data Nature ............... 130
  - Conjecture 1: No Time Exists in Data Nature ...................... 134
  - Conjecture 2: Time Will Be Achieved in Data Nature .............. 135
  - Conjecture 3: Data Nature Has Time Paradoxes .................... 138

- 5 Particularities in Data as Capital .................................... 143
  - Data Sovereign: Conceptual Innovation and Economic Inheritance 145
  - Whose Data Is It Anyway? ........................................... 147
  - Responding to an Imaginary Reviewer About Data Sovereign ........ 152
  - Virtual Nations: After Geopolitics .................................. 156
  - Communicative Coordination Goes Global .......................... 160
  - Agglomeration in Cyberspace: Following Reproducible Data Capital Flows ......................................................... 162
  - Data Capital Migration and Inequality ................................ 170
  - The Succession Issue in Data Heritage ................................ 172
6 The Metamorphoses of Data Capital and Their Circuits .......................... 177
  Primitive Accumulation of Data Capital ............................................. 179
  Stitch Fix: Raising Data Capital via Service ........................................ 181
  Simple Reproduction on Data Capital .................................................. 183
  Annotating Tongue Images with Electronic Medical Records .................. 187
  Visualizing World Trade Reports ......................................................... 192
  Enlarged Reproduction on Data Capital ............................................... 193
  Representation Learning with World Trade Reports ................................. 195
  Tongue Diagnosis in the Future Scenarios ............................................. 200
  What’s Different on Data Capital’s Metamorphoses? ............................... 202
  Ecosystem Productive Forces with Its Vanishing Act ............................... 204
  Instantaneous Capital ............................................................................ 206

Part III  Hopes and Challenges Brought from Data Capital

7 Radical Data-Rich Markets ................................................................. 211
  A Possible Solution to Traditional Markets’ Difficulties .......................... 215
  Threatened Power Structure Behind Financial Markets ............................ 220
    Financial Capital Decline ................................................................. 221
    Some Innovative Practices in Financial Markets ................................... 225
  Data Labor, Data Partnership, and Digital Errand Runner ...................... 227
    Data Labor ......................................................................................... 227
    Data Partnership ............................................................................... 229
    Digital Errand Runner ....................................................................... 232
  Driving Health Data Profit Return: A Brainstorm .................................... 234
    Introduction to a Bone Health-Related App ........................................ 235
    A Brief of the Platform for Data Profit Sharing ................................... 237
    Integrating the Two in a Cross-Border Market ..................................... 239

8 Public Choice on Data Capital .......................................................... 243
  Rational Choice of Political Leadership ................................................. 244
    Physical Infrastructure and Cluster Effects ......................................... 245
    Soft Infrastructure: Trust and Norms ............................................... 247
  The Scenarios for Alternative Currencies .............................................. 249
    Major Counties’ Stances on Facebook Libra ....................................... 250
    Options of Sovereign Digital Currencies ............................................. 256
    Government Roles in Data as Innovative Currency ............................... 258
  Cyber Encounters: More Role of Government ........................................ 261
    Government as a Data Sovereign ....................................................... 264
    Government Being Supervisory Role .................................................. 265
9 Rethinking Economic Indicators with Data-Informed Insights

A Brief History of Economic Indicators .......................... 269
Mathematics and the Census ........................................ 272
Vibrant Statistics Based Leading Indicators ................. 277
The Concept of “Economy” Under Physics Envy ........... 279
Avatars of Leading Indicators ..................................... 283
Existing Avatar 1: Economic Indicator Dashboard .......... 284
Existing Avatar 2: CPI vs. Billion Prices ....................... 285
Existing Avatar 3: GDP and Consumer Surplus ............. 287
Start Being Data-Informed: Economists’ Preparation ..... 289
Future Avatar 1: The New Reality Without a Statistical Matrix . 291
Future Avatar 2: Unbundling Work, Look to Symbiosis ...... 292

Part IV Regulating Data Capital in the Twenty-First Century

10 A Global Society with Data Capital .......................... 299
Political Returns on Data Capital ................................ 301
Less Financial Crisis .................................................. 302
Identity Politics No Longer Run Amok ....................... 304
International Assistance: Not Just An Obligation .......... 306
The Change of State in Twentieth Century .................. 308
Emerging Facts on Social Spending ......................... 309
Data Capitalized for Public Pension Systems ............... 310
Government and Capital Accumulation in the Twenty-First Century .............................................. 313
Will Data Sovereign Own the World? ......................... 314
Energy Resources vs. Data Resources ..................... 316
The Use and Abuse of Data Force .............................. 318

11 Worldwide Taxation on Data Capital ..................... 321
Rethink a Global Tax on Capital ............................... 323
Why Reinvent the Wheel? ........................................ 324
The Problems with Piketty’s Solution .................... 326
Learned from Tax Paid in Data .................................. 327
Corporate Profits and Investment .......................... 329
A Data Sharing Based Coordination and Collaboration .... 330
A Global Tax on Data Capital .................................. 331
Flat Tax on Data Capital Globally .......................... 334
Tax Sharing Through Progressive Tax Treaties Among Governments .................................................. 335
Data Resource Rents vs. Tax Paid in Data .................. 337
Contents

12 A Blueprint Via the Latest Self-Governing Openness of Data . . . . . 339
  Introduction to Self-Governing Openness of Data ......................... 340
  Authorization and Distribution: A People-Oriented Logic ............... 342
  Identifying the Transaction in the Best Matches: With Malice Toward None .......................................................... 345
  System Transparency: Feedback Effects ................................. 349

13 Conclusion ............................................................................ 351
  The Data-as-Currency World .................................................. 351
  Sovereignty-Based Data Governance as the Enabler of the Data Economy ......................................................... 353
  For a Future Economic Science ............................................. 356

List of Tables and Illustrations .................................................. 361

List of Case Study Examples .................................................... 365

List of Explaining Data Sources ................................................ 367

List of Definitions .................................................................... 369

Index ....................................................................................... 375