

Information Technology Vs. Capitalism
by Lesley Anne Emerson, Ph.D. (October 27, 2026)

There are some famous controversies in Life. If you are a photographer, it might be “Nikon vs. Canon.” If you were an economist in the 1970s, it was “Monetarism vs. Keynesianism.” Today, if you are a politician, it might be “Authoritarianism vs. Freedom.” Or “Democracy vs. Communism.” When you show up to a meeting, in these little subcultures, for the first time, you may be asked, as I was, “Nikon or Canon?” or “Are you a Monetarist or a Keynesian?” (The first time I showed up to a political meeting, let me add, I was told that I had behaved like someone from another planet. Silly me! I had suggested that Democrats vote for Democrats who will work across the aisle, and Republicans vote for Republicans who will work across the aisle. I did not attend another such meeting. So no, I am not a politician. I am an economist.)

The former question was easy to answer – since I own a Nikon camera, and all my lenses fit a Nikon not a Canon and switching photographic systems is going to be expensive, my answer is “Nikon.” But nobody told me the relative advantages of each before I bought my first Nikon, so a better answer might be, “It depends on your purpose, which photographic system you buy into.”

Now, fast forward from earlier days to the present. Phone cameras are so good, why do I bother with my Nikon anymore? It’s heavy, especially with a telephoto lens on it; I change the settings manually because I don’t like what it gives me automatically; I only carry one lens with me, and I may bring the wrong one; it doesn’t have a “white balance” setting for modern weird-colored lights; whereas my son can take a photo of me with his iPhone, and turn me into a Mermaid “Under the Sea” with the click of a few buttons! The lighting is excellent; the exposure is perfect; the resolution is crisp; and my (somewhat-revealed) upper body with its fishy tail looks forty years younger!

But back to the point of this essay. “Information Technology vs. Capitalism.” Hmm. What sort of a debate is that anyway? Are we not mixing up two different concepts here? This reminds me of IQ tests that I used to take when preparing for the eleven-plus examination in England in the 1960s. One of the types of questions asked was along the lines of “which words fit together”? You are given the words, “apple, banana, melon, orange,” and asked to select one word from the following list that is a match: “boat, tree, green, grapefruit.” The correct answer is “grapefruit,” because they are all fruits. If the examiner wanted to be difficult, he or she would have put “tomato” instead of “grapefruit.” We can now debate the usefulness of IQ tests for people without the basic knowledge that enables them to answer such a question. But that is *STILL* not the point, here.

What some ordinary people tend to think of as “capitalism” might perhaps more properly be described as “the free market.” A belief in personal self-regulation has become ideologically identified with leaving the economy alone and allowing the economy itself to self-regulate. This belief system has arisen in tandem with an almost religious worship of a concept called the “invisible hand.” Adam Smith, moral philosopher and author of a very famous book, “The Wealth of Nations” coined the term, the Invisible Hand. It is the idea that, if everyone does the best they can for themselves, the whole economic system will operate in the best interest of society. It’s a very appealing idea, but a) it doesn’t work all of the time and for everyone, and b) because so many of us have believed in it, we have changed the very fabric of the society upon which it was based.

Moreover, if you read about that Adam Smith, you may start to understand that what was a minor idea in his writing (The Invisible Hand) has been turned into a major idea in modern political and

economic beliefs. I will leave it to my readers (if there are any) to explore the differences among “capitalism,” “socialism,” and “communism” as political ideas vs. technical terms in economics.

Suffice to say that Capitalism, when understood to be about “capital” is the idea that we improve our material lot, both personally and as a society, when we invest in Capital. That is, we build factories, machines, roads, bridges, etcetera. Capital, in this context, is composed of physical things. Human beings work with the capital equipment and thereby build a better world. For example, entrepreneurs gather enough money to purchase a factory, and then it is built. After it is built, workers work with the machines in it, usually (say) making products. The products are sold, generating an income stream (or revenue stream) and THAT generates a reward (interest payments, let’s say) for the investors and for the entrepreneur, or business owner. We need means of transport (roads, bridges, “infrastructure,”) to move the products around. We need a banking system to move the money around that pays for everything.

The description in the previous paragraph is a very approximate summary of the way that capitalism works. Those of us who grew up with it probably think it’s okay as a system of getting things done. It works okay for many of us. ENTER the New Paradigm – Information Technology!

Yes, indeed, Information Technology is a horse of a different color. It doesn’t work the way capitalism works. It is related, of course. We can’t do much with IT if we don’t have a physical computer. But once we have the system of wires (er, fiberoptics), computers (er, the internet), and people using them all set up and in place, it doesn’t work like “capitalism.” For starters, it doesn’t stay in one place, like a building or a machine. Information ends up all over the world pretty quickly.

Networks have huge financial advantages, as compared to isolated individuals. In my day, the kinds of networks that economists worried about were the electric power company (with a network of wires taking the electricity out of the power plant and into the homes and factories), or the telephone company, or the water utility. It was understood that having one provider service the whole network was the best solution, financially. These networks were called “natural monopolies.” It was also beneficial for the general public to be all associated with the same network, particularly as regards the telephone, so that they could all use the same telephone exchange and talk to one another. The received wisdom regarding network monopolies, or “natural monopolies,” was that one would allow the monopoly and regulate it, so that it did not gouge the customers.

Today, the most obvious network monopoly in the USA is Amazon. Their biggest network advantage is their distribution network. Trucks and things. (Using roads, of course. Or rail. Or planes. Do THEY build the roads?) They are also a “go-to” place if you want something. Since producers know this, they want their products to be listed with Amazon. This gives Amazon a different type of advantage, that you may not understand if you have not personally tried to list a product with, or through, Amazon. They can a) take a cut of your income/revenue and b) if you do well, they can buy you out and put the price up, to your former customers.

Since I try to keep these essays to two pages, I am wrapping up here, and we have not even begun to talk about the internet as a global network monopoly, often run by people who don’t understand the economic big picture because all the economics they learned was in their MBA program. In sum, information (knowledge) doesn’t behave like capital (machines) and we need to stop using an outdated (“capitalist”) understanding of the global, national, and local economy. This becomes ever more important to appreciate, as IT becomes ever more important in the way things operate.