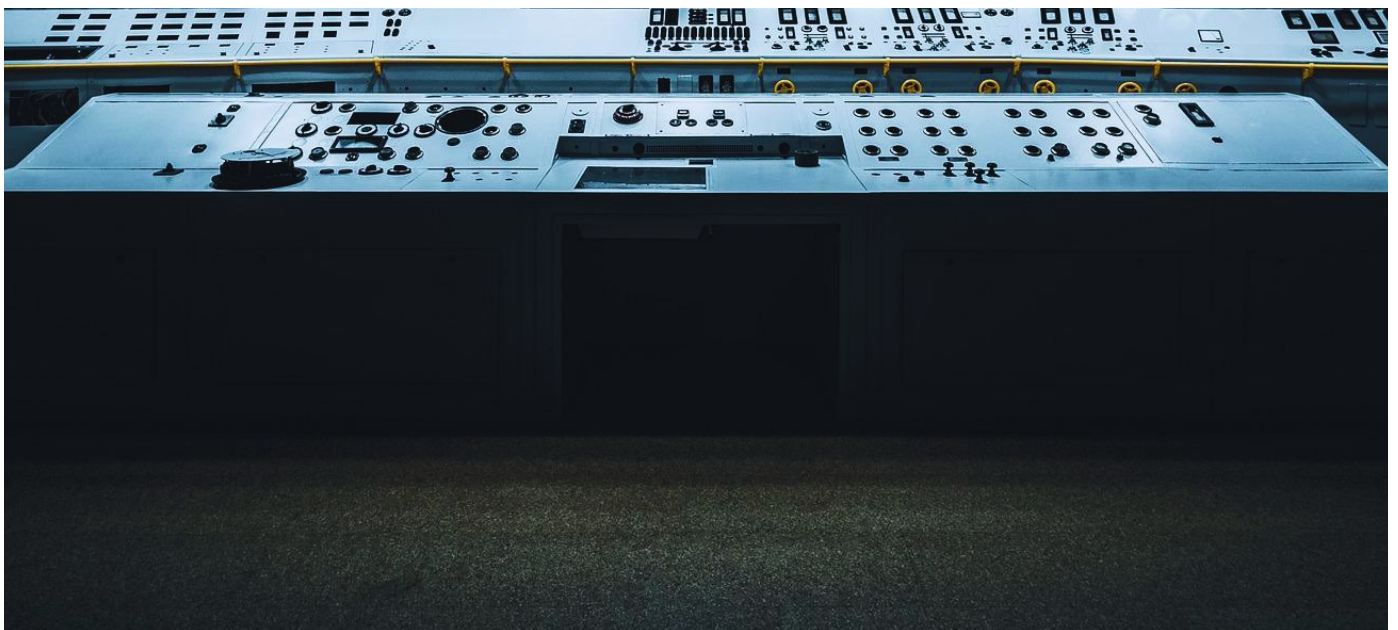


I QUADERNI DI  
INTO THE BLACK BOX  
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# PLATFORMS HAVE THE POWER... AND PEOPLE CAN TAKE IT



EDITED BY BENVIGNÙ, CUPPINI, FRAPPORTI, MILESI, PIRONE



DEPARTMENT OF THE ARTS | UNIVERSITY OF BOLOGNA

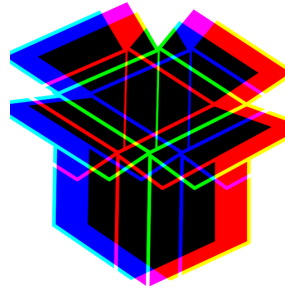


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**PLATFORMS  
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POWER... AND  
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TAKE IT**

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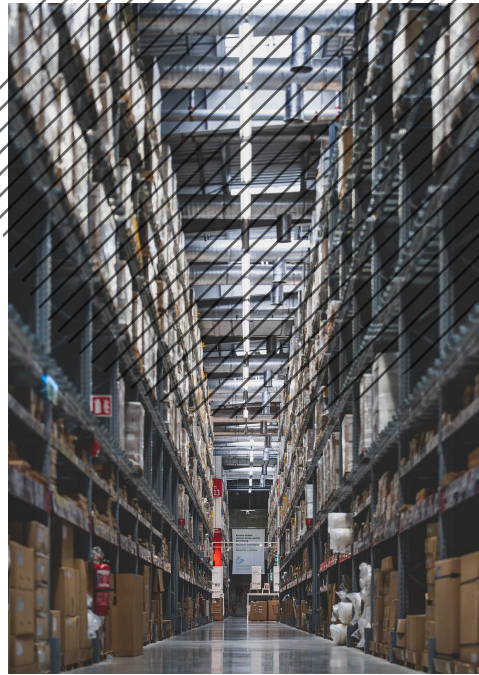
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## **New valorization logics in the figure of the digital platform. The case of MercadoLibre**

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In contemporary capitalism's transformation, the platform economy seems to be emerging as a leading actor in applying digital technologies, new business models, and renewing capital-labor relationship forms. Big digital platforms have expanded worldwide at extraordinary rates, are making enormous efforts in research and development, and have reached record levels of market valuation. The top five companies in the S&P 500 are all technology giants, representing today over 20% of that index, an unprecedented level of concentration. This was further exacerbated by these companies' accelerated growth as a

consequence of the global COVID-19 pandemic. This chapter describes and analyzes MercadoLibre's (MeLi) operations, Latin America's leading e-commerce platform that has expanded its businesses into the financial and logistics sphere. In particular, we focus on the interconnections between its e-commerce, financial, and logistics operations[1]. We follow Mezzadra and Neilson (2017, 2019) approach by using the categories of extraction, logistics, and finance to

[1] The authors are very grateful for Pablo Miguez' s detailed reading of this work and comments. We also want to specially thank the IBB team for encouraging us to write this chapter.



analyze capitalist operations and their interactions. This perspective considers extractive operations in an expanded sense, particularly with regard to finance but also in the logistics of supply chains and production networks. According to the authors, «In the present conjuncture, extractive operations such as those we analyze in the cases of logistics and finance dominate the composition of aggregate capital and tend to command and submit other operations of capital to their logics» (Mezzadra and Neilson, 2019: 6).

Generally speaking, these three areas have provided conceptual orientations and empirical grids for the analysis of contemporary capitalism and a framework to show its distinctive rationality and logic. We propose to connect this development with broader social issues and its consequences. At a global level, MeLi has been compared to Amazon and Alibaba for running similar businesses in different markets. With Alibaba it share similarities in the development of its payment systems, and with Amazon it shares a similar trajectory of rapid growth (in terms of revenues and workforce) and the development of its own logistics network.

A remarkable aspect of digital platforms is that they facilitate the building of global monopolistic or oligopolistic markets in very short periods of time (Casilli, 2018; Vercellone et al., 2018). The earliest research on platforms already showed that network effects are an element that favors the spontaneous constitution of highly concentrated markets.

This led some researchers to argue that the existence of monopolies in this type of market structure is efficient (Evans, 2003; Rochet and Tirole, 2003):

as a coordination mechanism, it would be optimal for all users to converge on the same platform, enabling interconnection between all of them. But the importance and scope of network effects can be nuanced: Not all users (or nodes) are equivalent, nor is the interconnection between all users relevant in all the services provided by the various platforms (Parker et al., 2016).

Further, platform companies build control mechanisms in their ecosystems by developing closed applications and privatized Internet infrastructure to maintain a competitive advantage over their rivals (Srnicek, 2018). Thus, the technical-founded logic that supports the need for convergence can be reversed: As proposed by certain anti-monopoly approaches, if interoperability between platforms were forced, it could substantially modify the existence of barriers to entry in the markets in which they operate (Zingales et al., 2019). In this sense, it can be argued that these companies have developed their expansion and dominance with an enormous regulatory and tax “free space”, facilitating their constitution as dominant actors.

This power concentration also expresses the platform’s novelty as a space for economic organization (Srnicek, 2018). Here, productive activity occurs not only within the framework of the company, but in broader ecosystems in which formal organizations interact with other companies, independent contractors, distribution networks, and user and consumer communities. Based on the control of the technological infrastructure, it is possible to supervise all these actors’ interactions through the use of algorithms.

This positions the platforms in a privileged place to capture the value produced (Harracá, 2017). By addressing the case of MercadoLibre, this chapter will explore how the transformations of the platform model act and are expressed.

### **A brief history of the company: key milestones**

MercadoLibre was founded in 1999 by two Argentines, Marcos Galperín and Hernán Kazah, although the former has been the company's public figure. Galperín studied at the Wharton School of Business at the University of Pennsylvania (USA), worked at the JP Morgan Bank and later in the financial area of YPF (argentinian oil national company). When they opened the e-commerce company with headquarters in Buenos Aires, Argentina in 1999, at that time, they were competing with DeRemate.com - an online auction company. MercadoLibre also began as an auction platform, but quickly the online sales platform made it possible to sell at a fixed price and its users became sellers that were no longer occasional. In the marketplace, sellers can publish for free or by paying a commission on the value of the merchandise sold, including the cost of using the payment system, and a better location in the search listings. For an additional cost, they can also offer interest-free installment payments to their buyers (Carpinelli, 2017).

Galperín's personal contacts made it possible for the Hicks, Muse, Tate & Furst fund, a very active fund in Latin America, to invest in the development of their project and obtain capital contributions from JP. Morgan Partners and Flatiron Funds. A short time later, in 2001, the pioneer of electronic commerce Ebay became a

shareholder, and they signed an exclusive 5-year alliance for all of Latin America. In addition, they added a new investment of US \$ 46.7 million by large funds such as Goldman Sachs Entities. In 2002 they acquired Lokau, a Brazilian online business platform that allowed them to incorporate all their respective registered users. In 2003, it launched its Mercado Pago payment platform, which, as we will see later, is one of its critical business units.

The expansion continued. By 2005, they bought Deremate.com, their main regional competitor in e-commerce. With this operation, they took control of that company's activities in Brazil, Colombia, Ecuador, Mexico, Peru, Uruguay and Venezuela. In 2007, MercadoLibre began trading on the stock market under the name «MeLi» and is part of Holding Meli Inc., thus becoming the first Argentine firm on the NASDAQ.

A year later, in 2008, MercadoLibre acquired 100% of Classified Media Group, Inc. (CMG) and its subsidiaries: tucarro.com, tumoto.com, tuinmueble.com, tulancha.com, tuavion.com. That year, it also acquired DeRemate.com's operations in Argentina and Chile, for which it disbursed \$ 40 million. In 2009, it launched its advertising division and multiple acquisitions followed: Autoplaza (2011), Neosur (2013), Portal Inmobiliario (2014), KPL, Metros Cúbicos and Dabee (2015), Monits and Axado (2016); making its presence in the Latin American market robust (See graph). To continue with its expansion plan, in 2014 it issued a convertible bond for 330 million dollars, a financing strategy that it will repeat several times years later.

Argentina, like other Latin American countries, has structural logistics problems.

Logistic distribution for e-commerce firms depends on distribution lines that follow a centralized diagram based on the connection with Buenos Aires metropolitan port that was designed at the beginning of the 20th century. The network of private post companies only covers profitable distribution trails and the public network has been subject to financial stress.

Due to these inconveniences, in 2013 Mercado Envíos emerged as a logistics solution associated with Mercado Libre's e-commerce division. It was developed to take advantage of economies of scale of existing logistics operators and, of course, reduce capital turnover time. Mercado Envíos is available in Argentina (through OCA, Andreani and Correo Argentino), Brazil (through Correios), Mexico (DHL), Colombia (Servbinetega) and Chile (Chilexpress) and is combined with the Marketplace (Carpinelli, 2017).

In recent years, Mercadolibre supplemented such infrastructures with its own warehouses. In 2018, MeLi announced the opening of a distribution center in the Central Market of Buenos Aires, equivalent to those already installed in Uruguay in 2012 and later in Mexico and Brazil. Since 2019, the firm has been partnering with commercial airlines. More recently, in 2020, MeLi announced major investments in Brazilian logistics to provide constant volume during the lockdown period. The company has a fleet of four aircraft (from different airlines) 100% dedicated to its deliveries in Brazil.

Besides expanding its delivery fleet, these investments also involve the installation of new distribution centers and cross-dockings and the development of new tools to reduce the time and cost of

delivery[1]. MercadoLibre also offers their customers financial services. MercadoPago is a digital financial service of the company that overcomes payment barriers. It was in 2017 when MeLi developed its financial division and incorporated an electronic payment system (QR code) available on almost all mobile phones on the market. This compounded on its already strong network effects from the Marketplace, as it incorporated unbanked user segments who found a facility for their transactions in this medium. It also enabled users to use credit cards and to receive credits directly to their accounts and integrate them into a bank account. In 2018, it introduced a tool to make financial investments, through a common investment fund in partnership with Banco Industrial. Towards 2019, it expands its e-commerce division incorporating mass consumption under the launch of «SuperMercadoLibre».

### **The story in numbers**

The company shows very fast growth, in line with the trajectory of the main global platform companies. Between 2007 and 2019[2], its sales in USD multiplied by 27, the number of employees by 10, and the stock price by 21[3].

[1] <https://labsnews.com/en/news/business/mercadolibre-launches-meli-air-with-4-delivery-planes-fleet-in-brazil/>

[2] All the financial and operations data about MeLi corresponds to the 2007-2019 period, unless otherwise clarified. The source is MeLi's annual report filings for the United States Securities and Exchange Commission, originally reported in US dollars.

[3] Not reflected in this number, as a consequence of the pandemic, its market value tripled in just one year.

being currently the largest Argentine company according to this parameter. On the marketplace platform, the volume traded multiplied by 9, reaching USD 14 billion, and 380 million items in 2019, while the number of unique buyers multiplied by 8 (going from 5.5 to 44 million), and that of sellers for 5.6, (from 2 to 11 million). The payment mechanism grew exponentially, going from USD 158 million in 2007 to USD 28.4 billion in 2019, and some 838 million transactions.

In terms of geographic segments, the primary market is Brazil (64%), followed by Argentina (20%) and Mexico (12%), in addition to a set of Latin American countries that complete the remaining 4% (Uruguay, Colombia, Chile, Peru, Venezuela, Ecuador, Costa Rica, Dominican Republic, Panama, Bolivia, Guatemala, Paraguay, Nicaragua, Honduras and El Salvador). The evolution by country shows a similar behavior, led by Argentina and Brazil (x40), and in second place Mexico and others (x30). Even so, the trajectories were different: While Argentina shows a linear growth evolution, the expansion in Brazil and especially Mexico resembles an exponential one (in Mexico sales multiplied by more than 5 in the last two years, reaching USD 275 million). For the whole period considered, almost 2/3 of the growth in sales is explained by Brazil, 20% by Argentina, 12% by Mexico and 3% by other countries. For Argentina and Brazil, growth is slightly led by MercadoPago, while in Mexico it is led by Marketplace. In terms of results, and unlike Amazon's trajectory, MeLi has presented consistently high operating margins, oscillating between 25% and 35% of sales between 2007 and 2016. In 2017 it collapsed, and remained negative in 2018

and 2019, but this was due to expenses associated with the expansion strategies in Brazil and Mexico. Beyond this, it is curious that the gross margin (income minus cost of sales, before operating expenses) falls steadily, from 80% in 2008 to 48% in 2019. The dynamics of the cost components are very disparate: General and Administrative Expenses, and Product and Technology Development (which would be expected to follow different dynamics), tend to stabilize at 10% of revenues. In contrast, Sales and Marketing tend to decrease from 32% in 2007 to 20% in 2016, when it expands strongly, reaching 36% in 2019. As mentioned, the cost of sales grows steadily, from 22% in 2005 to 52% in 2019 (mirroring the drop in gross margin). The ratio of costs over employees shows sustained growth, either considering the cost of sales, operations, or total. This may suggest a change in the composition of spending towards greater outsourcing of services and acquisition of assets. Anyhow, despite the number of employees multiplied by more than 10, the average total income per employee has multiplied by 2.6. This means that while in 2007 each employee contributed an average of USD 91 thousand per year, in 2019 they contributed USD 237 thousand.

### **Analysis of MeLi business**

There is a strong argument that the recent extraordinary levels of capitalization of many publicly traded online companies had a lot to do with investors' beliefs that entrepreneurial companies had business models with growth potential that was inherently superior to offline models.

How does the Marketplace work in MeLi?

In Argentina, when a sale is made through the Mercado Libre site, the seller can

choose zero commission with shallow exposure, and commission from 13% to 27% of the published value for products with good exposure. The accreditation is carried out in an account within the system itself after a period of five days from the moment the buyer received their product. When the transactions were paid through funds in a MercadoPago account, the commission drops to 5.5% plus the Value Added Tax (VAT) if the accreditation is immediate. This rate is higher than the one that a business would pay to credit its sales through a traditional commercial bank (2.15% in credit and 1.1% in debit), although in banks, the crediting period ends up being longer (10 business days) and this factor ends up constituting an advantage in favor of the platform (Artopoulos et al., 2019). As the system thus becomes more advantageous compared to credit cards and other means of payment, the platform attracted many consumers and sellers. At the same time, MercadoPago exempts small businesses from tax withholding, contributing to the previous trend. Platform-mediated marketplaces were among the earliest types of internet websites (Kenney et al 2018). The expansion of the marketplace platform in MeLi is expressed in the increase in the number of unique users, both sellers (x5.5) and buyers (x8). The relationship between the two increased by 43%, adding almost an extra buyer for each seller. This implies a relatively greater concentration within the platform, although the absolute level is low (4 buyers per seller). A fundamental indicator is that MeLi managed to steadily expand both the number of buyers and the average spending. On average, each user buys more products (3.2 to 8.6 items),

although at a lower price (USD 86 to USD 37), taking their annual spending from USD 274 to USD 316. The average margin received by MeLi for each item increases steadily, almost doubling between ends, going from 4.6% in 2007 to 8.6% in 2019. Consequently, the margin per buyer also increases, although multiplying by 3. Another way to read this number is that its cost of acquiring new buyers has decreased, which constitutes a clear expression of the network effects. From the seller's point of view, on average, the number of items he sells multiplied by 4, while his income grew 65%, reaching USD 1,250 per year.

Although MercadoLibre is known as an e-commerce platform, as we previously argued, it is much more than that, and the data illustrates this.

While the revenues associated with the Marketplace multiplied by 17, the evolution of the Non-marketplace or MercadoPago segment stands out particularly, which in the same period multiplied by 70. Thus, it grew from representing 11% to 48% of sales revenue. While Marketplace's revenues show more volatility, MercadoPago's sales are much more stable and show a constant contribution to growth, with a permanent and robust level jump in 2017. MeLi's foray into financial services was carried out through its MercadoPago and MercadoCrédito divisions. This has been under the striking slogan "democratize trade and money to impact the region's development." MercadoPago invoices for payment processing and MercadoCrédito grants credits to MercadoLibre vendors and consumers.

Mercado Pago is an integrated digital payments solution that complements the Marketplace. The tool is designed to

facilitate and formalize transactions between buyers and sellers on the MercadoLibre platform and outside of it, providing a mechanism that allows the user to send or receive money and finance payments. It is currently available in Argentina, Brazil, Mexico, Chile, Colombia, Venezuela, Uruguay and Peru. Its adoption is required for all sellers' publications, except classifieds, while buyers can choose to pay on delivery if the seller grants that option as available.

Mercado Pago is the only digital payment method accepted by Mercado Libre in the Marketplace. Mercado Pago mediates transactions so that the money paid by buyers is retained by the tool until the products purchased are delivered. The commission for using Mercado Pago is included in the sales commission charged to sellers: sellers pay the same value whether they use the solution.

Outside the Marketplace, the service was designed to serve the growing demand for Internet payments in Latin America. It allows companies, businesses, or individuals to send money and collect their sales through different digital channels: their website, social networks, mobile applications, and even through e-mails, in exchange for a commission on the transacted volume. In the last quarter of 2016, small loans began to be offered to Mercado Libre buyers for consumption and sellers for working capital, based on their history of operations on the platform, giving them access to the financial market, and doing so entirely digitally. This initiative, called Mercado Crédito, seeks to help small and medium sellers scale their businesses and give buyers financial tools to make purchases, especially those unbanked.

Like what happens in the Marketplace, in MercadoPago the volume of operations grows steadily, while the average amount progressively falls, going from USD 121 in 2007 to USD 34 in 2019. This verifies a model that aims to capture a high volume of small daily transactions beyond those carried out in the Marketplace. As the use of MercadoPago for Marketplace operations grows, reaching 93% in 2019, the total volume traded in MercadoPago is double that of Marketplace. In terms of gross margin, it has stabilized in recent years in the order of 4% per transaction.

According to calculations by the Bank for International Settlements (BIS), Mercado Crédito managed to place 30% of its loans in Argentina in 2017, which would be classified as High Risk in the banking industry, with a loss ratio that however did not exceed 2, 8%, reaching firms that the traditional banking system does not attract. With its scoring model, Mercado Libre can offer credit and, in turn, financially include these merchants. It is interesting to note that the "high risk" segment's loss ratio is 2.8%, similar to the premium SME segment in traditional banks. These simple statistics indicate that Mercado Libre's internal rating system is more discriminatory than a traditional credit bureau and allows the company to serve suppliers that would otherwise be excluded from credit provision.

However, it remains to be verified whether an internal rating system based on machine learning techniques and data obtained from the e-commerce platform can outperform (ex-post) more traditional models in predicting defaults over a complete business and financial cycle. The accumulation of data emerges as a key advantage of vertical integration: keeping

property operations in house also keeps field data in-house, creating opportunities for analysis and experimentation to ease the inevitable frictions of circulation (Fields, D., 2019).

The financial division of MeLi expanded towards the end of 2019. In that year, the world's leading electronic payment platform PayPal made a strategic alliance with MercadoLibre to integrate its payment services in Mexico and Brazil, for which it disbursed 750 million dollars. Meanwhile, in Argentina it was in charge of launching Point Plus, its debit, credit, and prepaid card reader with which sellers can make all payments directly from the terminal and without the need for a cell phone.

In an overview, we find a feedback between MeLi's operations: at first, Marketplace grows rapidly, generating a high volume of transactions. During that time, MercadoPago primarily acts as a facilitator for these transactions while developing and refining this payment platform. This allows MercadoPago to start growing outside of Marketplace and achieve a sustainable transaction volume, overcoming the «chicken-and-egg problem» (Caillaud and Jullien, 2003). With that business consolidated, the use of MercadoPago in Marketplace began to be universalized, resulting in a vast captive market. Finally, the launch and later expansion of Mercado Envíos further complete this circle: Tighter control of logistics guarantees better customer satisfaction, more control over sellers, and overall more transactions and thus income for MeLi. This is clearly expressed in financial metrics: Although the margins per transaction in Marketplace had already been growing, the joint operation with

MercadoPago and Mercado Envíos ensures a 40% higher margin per transaction, expanding a 8.6% margin in the Marketplace to a 12.2% total, in 2019.

### **Rethinking extraction, e-commerce, and finance through platforms**

To conclude, we review the logic within MeLi's expansion through the lens of valorization logics of extraction based on finance and logistics Mezzadra and Neilson (2017, 2019).

The conception of platforms understood as digital infrastructures and key devices for extraction has been presented in various studies on the subject (Mezzadra and Neilson 2017, Fumagalli, 2018, Srnicek, 2018, Vercellone, 2020).

Data is a key resource of the platform economy. It is used to produce monetary value for the large platforms that buy and sell information (Casilli, 2017). For instance, in 2017, the income from selling data to marketing companies amounted to 98% of the revenues of Facebook and 86% of the revenues of Google (Schwarz, 2019, p. 3). Platforms are fueled by their access to «big data» (searches, purchases, and post form participants using their technology) and it also becomes a critical component of FinTech platforms (Dhar and Stein, 2017). In this sense, Neilson and Rossiter (2020) argue that data has become a kind of currency («data is the new oil»). Following Sing (2017), data is directly and minutely about actual social and physical facts: people, behaviours, interactions, machines and other artefacts, and natural things. The more local data is better because that makes it truer to particular facts. Therefore, personal data has one of the highest values (Sing, 2017).

Consequently, the production of forms of

life are increasingly central to capitalist valorization. In this sense, the extraction of communicative and cognitive capital that is at the heart of today's capitalist mode of production (Hardt and Negri, 2009). The idea highlighted is that not only when the operation of capital plunder the materiality of the Earth and biosphere, but also when they encounter and drawn on forms and practices of human cooperation and sociality that are external to them, that we can say «extraction is at stake» (Mezzadra and Neilson, 2019:138) because capital does not directly organize the relations of social cooperation upon which data economies rest.

Vercellone (2020) points out that as big data extraction refers to capturing our identities and the footprints produced by our social interactions on the Internet, the extraction mechanism becomes more powerful as the network effect expands. Moreover, as the volume of data continues to increase, the artificial intelligence functionality for interpreting and acting on it automatically (Dhar and Stein, 2017). So, the economic benefits of owning data in terms of transforming it into a profitable asset increases with the volume of data and this gives an advantage to first movers (UNCTAD, 2018).

Platforms also implement the strategy of constantly expanding user engagement through user interface and experience design, creating compulsory behavior in consumers. This is done for the ultimate purpose of extracting (more) data from the users. This set mechanisms explains why platform companies enjoy rapid and exponential growth and unprecedented capital accumulation over a relatively short period (Srnicek, 2018). As we have seen, these logics are the basis behind MeLi's

operations. MeLi's data extraction is founded on its role as intermediary, where it exploits the networks created, including the cognitive capital from sellers in understanding consumer's preferences and tastes, but also in consumers' patterns of search and buy. All this is possible because of the digital nature of the platform, where all objects and activities are coded and recorded as data. Such as in spaces such as US or the EU the search for buying a product starts directly in Amazon, in most Latin America this role is played by MeLi. As it expands towards new markets, it is increasingly indispensable for everyday life, and becomes an general infrastructure for extraction. Synergetic possibilities emerge when managing a large and varied portfolio of investments in platform companies and other data-centric businesses (van Doorn and Badger, 2020). The incursion into activities in the financial sphere in the case described is closely related to the previously described mechanisms. These types of companies known under the name Fin / BigTech have the advantage of being able to exploit the information provided by their primary business, such as electronic commerce, without the need for additional documentation from users (Frost et al., 2019). FinTech today is often seen as a uniquely recent marriage of financial services and information technology. However, the interlinkage of finance and technology has a long history. In fact, financial and technology development have long been intertwined and mutually reinforcing (Arner et al., 2015). We can think that financial innovations of the past decades are driven by an attempt to «expand the operational space of advanced capitalism» (Sassen, 2010, 20).



Despite treating them as something new, Fin / BigTech derived from communication and the Internet have been developing intensively since the 1980s. First, digitization allowed capital to completely restructure informational work and requalify many activities in the financial world (Miguez, 2008). There was a stage of implementation of these services during the decades of 1980 and 1990, a phase of growing adoption as we advanced towards the 21st century and a stretch coinciding with the current moment in which we can speak of a progressive diffusion of this digitization combined with big data (Carbó Valverde, 2017). Perhaps a more precise term for this type of firm comes from the concept of the name BigTech who benefit from having a large existing customer base and from collecting and analyzing their customer data in addition to having significant resources and the possibility of accessing capital and financing at a lower cost than some large financial groups (Financial Stability Board, 2019).

Buchak et al (2018) points that in the last decade, the consumer finance market has undergone a dramatic change. Intermediation has shifted from traditional banks to shadow banks: non-depository institutions falling outside the scope of traditional banking regulation. In this context, Fin / BigTech companies intensively use machine learning to perform risk ratings and grant credits. This renewed approach to rating could provide an advantage over traditional banks, where it is common practice to rely heavily on the judgment of the loan officer to approve or reject a potential client. The increased data resources could open the possibility for BigTech lenders to lend to borrowers who were previously

excluded from the formal bank credit market. Such an expansion of the user base could facilitate financial inclusion in market niches where financing opportunities are scarce. Thus, the use of machine learning could have some advantages because the direct and rapid assessment of credit risk improves the underwriting process, is based on information derived from the relationships between customers and could prevent, in some cases, that the decision is made by the actions of a single person (Frost et al., 2019). Fintech lenders may be better able to screen potential borrowers, leveraging alternative sources of information and the big data approaches inherent in technology-based lending (Dhar and Stein, 2017). Machine learning -and also Artificial Intelligence (AI)- use recursive techniques to update datasets in ways that allow them to evolve and improve their functionality within institutional settings (Neilson and Rossiter, 2020). Moreover, by using AI, they achieve a competitive advantage for being able to «predict and modify human behaviour as means to produce revenue and market control» (Zuboff, 2015, p. 76).

Part of this advantage over traditional banks was expressed in the statements of Galperín himself who asserted regarding the latter (the banks): «I do not see them as competitors, since they target different audiences» and «They are anachronistic and inefficient, and they threaten us every day» in an interview reproduced in the book *Argentina Innovadora* (Editorial Sudamericana).

These ideas clearly express MeLi's vision on how to exploit user data, network effects and market integration to enhance their financial businesses.

At the same time, the company has been able to overcome regulatory obstacles in Argentina in this area. Following Orzanco (2018), while in Brazil Mercado Pago is obliged to allocate 100% of wallet balances in public securities that pay the monetary policy rate (currently 6.5% per year in reais), in Argentina it is released from this obligation by provision of the BCRA (Argentinian Central Bank). In turn, MeLi was able to circumvent a market de-concentration measure given that the Central Bank prohibits financial entities from carrying out operations outside the sector. In these cases, admitting that the two companies that form the same entity (here MercadoLibre, a commercial company with a dominant position, with Mercado Crédito) would require de-concentration measures or a new regulation to suit it.

Finally, another counterpart to this process of financialization and data extraction was the massive investment in the circulation of commodities: large-scale investments in transportation and communication infrastructures by MeLi, especially in its distribution centers. They are strategically installed to accelerate deliveries to end customers and serve as vital levers to promote the accumulation of capital and expand its geographical frontiers.

«Delivering to the customer is an obsession» said MeLi's founder. Rumours that MeLi may be interested in buying the Brazilian state postal network «Correios», for its logistics infrastructure is another example of how this dimension became central to the company.

But the delivery time is not only a main concern of retail companies in Latin America. This formulation has its roots in many Marx's economic writings where the

speed, cost-efficiency and flexibility of commodity flows are central to competition and to the accumulation process. Logistics industry facilitates the circulation of capital by enhancing the flexibility, or «agility» of commodity flows (Danyluk, 2018) and has become central to the ongoing transformations of contemporary capitalism (Mezzadra and Neilson, 2015). In this context, capital has now new technology tools for manipulating space and as Cowen (2014, p. 205) notes, «location has been supplanted by a new force in business: logistics».

Recent research clarified how logistics operations are not a neutral mechanism, in other words a simple device to manage commodities in the most efficient way. They are also a site of power and struggle (Neilson 2012; Cuppini, Frapporti and Pirone, 2015) which display an extractive dimension, shaping and commanding heterogeneous productive environments (Mezzadra and Neilson, 2015), a topic that needs further research in Latin America context.

Overall, the marketplace platform allowed the company to extract and generate value from its users' data. Then it introduces financial operations to motorize it. But this quickly becomes a source that further accelerates expansion (with more users). Finally, the financial accumulation allows it to invest in its own logistics developments, which in turn allow it to accelerate its growth again (particularly in Brazil and especially Mexico, today its most critical markets).

As it was suggested by Montalban et al. (2019) the case described showed that the key to their competitive advantage lies with their ability to enlarge the crowd, to

mobilize digital infrastructure and to interconnect complementary items, its individualized recommendations based on its algorithm and its high-performance delivery system. As Mezzadra and Neilson (2019) marked, the extension of data mining techniques across a diverse range of economic activities and data-driven commerce requires new juridical arrangement and a stretching of old ones. The case also shows what UNCTAD (2018) warns that the high profitability of these incumbent firms also allows for rent-seeking and spending on regulation and lobbying.

As a private governance structure, we conclude platforms define their own rules, and most of them operate at the fringe of the law. If they can convince policymakers that they will operate more efficiently in these areas than would be possible under existing rules and policies, they legitimate their practices and political demands. Instead of being a solution usually analyzed as market failures, platforms are capturing part of the rent from their position as intermediary or market organizer.

The current concerns of policy makers and industry arise not from the technology itself but from who and how is applying the technology and it may be pertinent to explore if data can be considered as a common «social resource». This is a new and challenging frontier in the governance of capitalist valorization.

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