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Global Issues

The Return of Merchant Capital

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In 1996 Volkswagen (VW) opened a new branch in the Brazilian city Resende; it was called “the factory of the future”. It employs 4 500 people, and every day two shifts produce 240 trucks and buses. What makes Volkswagen Caminhões e Ônibus special is that VW itself does next to nothing in Resende. The corporation owns the buildings, provides the equipment and checks the quality of the final output. But the actual work of construction or assembling of subcontracted parts is being done by laborers hired by six contractors who are combined in a so-called Modular Consortium.

This kind of putting-out system is becoming more and more common. The clothing industry has been resorting to it already for decades. Nike, for instance, employs about 2 500 people in the United States, who mainly do marketing and logistics. The “real” footwear manufacturing is being performed by a factorised workforce of 75 000 spread over various Asian countries; they, however, are mainly not employed by Nike but by local (sub)contractors.

Even huge capital goods like airplanes are increasingly produced through subcontracting. Occasioned by the 737 Max disasters, researchers and journalists have pointed out that, for some twenty years already, Boeing has outsourced much of its software development to Indian IT specialists with little knowledge of aeronautics, working for nine or ten dollars per hour. The airplane’s design had been contracted out to a firm in Moscow, and it took eighteen reminders to convince them that the smoke detectors should be connected to the electrical system ... (Robison, 2019).

In these, and in many other, cases, the traditional manufacturers are no longer at centre stage. What we see is a business modality that in essence resembles the one in old cottage industries, where an entrepreneur (called a commissionair) brought yarn to the doorsteps of poor weavers. The weavers’ households processed the yarn into textile, which was then picked up again by the entrepreneur or his agent, who settled payment with the weaver’s head of household on a piece-rate. Such an entrepreneur comes close to what Marx called a merchant capitalist – an entrepreneur whose main business it is to buy cheap and sell dear. What we have observed in recent years is in fact the *return of merchant capital*.

This reported reverting to a prior mode of capitalism is quite remarkable. Merchant capital is commonly understood to have been the *precursor* of industrial capital. At first, traders acted as mere intermediaries, collecting commodities from producers and distributing them to consumers. Subsequently, they increased their hold on the production process by advancing part payment for commodities to be fairly and duly delivered; ultimately, they fully controlled the whole production process and became “productive capital” (Marx). Many capitalists appear to have gone back to the former practice. They are usually able to do so while tightening rather than weakening their control over the chain of production, which has grown much longer than used to be the case in the past. Backed up by the latest communication technology and state-of-the-art business management ploys, these by definition multinational conglomerates succeed in dictating the terms of the global

trade.

The political economist John Smith (2016: 80–83) calls this “arms-length outsourcing”. He outlines three reasons why big corporations move on to this strategy: their subcontractors in Africa, Asia and Latin America can 1) be forced “into intense competition with one another” which is “a more effective way of driving down wages and intensifying labor than doing so in-house through appointed managers”; 2) be made responsible for “pollution, poverty wages, and suppression of trade unions”; and 3) be burdened with “many of the costs and risks associated with cyclical fluctuations in demand” and large disruptions in the world market. The extra profits can then be used for “generous dividend payments, share buyback schemes, and speculative investments”.

This last issue is immediately connected with another trend which has gained much more attention: the increasing power of the financial sector (in Marx’s terms: mercantile money and interest-bearing capital). The economic power of banks and insurance companies has increased enormously, and the short-term interests of shareholders often weigh more heavily than the long-term interests of enterprises, let alone care and respect for the plight of the workforce. A recent study of 698 West European publicly traded companies revealed that only 139 of them – 20 per cent – applied more than only financial success indicators (Duurzaam Ondernemen, 2018).

All these developments articulate important shifts in global capitalism. In the first place, the growing influence of merchant and money capital has changed the balance of power within the capitalist class. Productive (industrial) capital is often no longer dominant, but has become subordinate. The power of trade unions where they are allowed to operate is weakened by this development, since they are often much stronger in the productive than in the mercantile and financial sectors. In the second place, productive capital has expanded enormously and now extends across a much larger part of the world than half a century ago. Important industries, in particular labour-intensive ones such as shipbuilding and textiles, have relocated from the North Atlantic region to East and South Asia. In the third place, we can observe a “transnationalisation” of labour processes. While in the political arena the emphasis is once again on the nation–state, mercantile capital is quite successful in crossing territorial borders at will and resists becoming subjected to étatist governance. Goods manufactured in one country are increasingly assembled from components produced in other countries, which in turn contain subcomponents made in still other countries. This process – also known as “slicing up” or “unbundling” supply chains – started in the 1960s and has accelerated since the late 1980s. As a consequence, transport (logistics) has grown explosively as well.

Obviously, these trends have major repercussions for the world working class. A growing share of the world’s labour force consists of those who depend directly or indirectly on wages. In that sense, we see progressing proletarianisation. According to the International Labour Organization (ILO, 2020) the percentage of pure and formally registered wage dependents (“employees”) rose between 1991 and 2018 from over 41 per cent to over 51 per cent. The actual world working class is, of course, considerably more numerous than the number of “employees”. To begin with, contributing household members, who are either off-and-on or even full-time engaged in the work process without being separately paid for the use of their labour power, should be added to this figure. An even more sizable contingent, rarely acknowledged but firmly included in the workforce, is an unknown share of own-account workers. Although often referred to as self-employed, a major segment of the labouring poor classified under this label are casually employed and waged workers in disguise. Their imposed self-reliance is a pretext for not classifying them as wage-dependent.

A second major change is that more and more wage-earners are connected across borders, often without being aware of it. The ILO’s report, *The Changing Nature of Jobs*, estimated that:

In 40 countries representing 85 per cent of world gross domestic product and covering approximately two-thirds of the global labor force, the number of global supply chain-related jobs increased by 157 million or 53 per cent between 1995 and 2013, resulting in a total of 453 million global supply chain-related jobs in 2013 (ILO, 2015: 118–119).

This equals one quarter of employees. While transnationalisation has greatly boosted industrialisation in the Global South, the jobs created are largely unskilled and increasingly – especially in the Global South – performed by women. The International Trade Union Confederation (ITUC) notes:

Eighty per cent of world trade and 60% of global production is now captured by the supply chains of multinational companies. The majority of supply chain workers are trapped in insecure and often unsafe jobs with poverty wages and long hours. Informal work, forced overtime and slavery are also found in the mix. A recent ITUC report shows that 50 of the world's largest companies directly employ just 6% of the workers in their supply chains – the remaining 94% are part of the hidden workforce of global production (ITUC, Undated).

The third factor intensifying economic connectivity between workers from different parts of the world is migration. While the share of the total flow of cross-border migrants in the world population had been fairly consistent for decades (around 3 per cent), the distance travelled increased, while the destination reached widened with South–North migration in particular becoming more important than it had been in the past. Over the last decades, its size has spiralled from 16 per cent in 1960 to 37 per cent 2000, according to a study by the World Bank (Çağlar, Parsons, Schiff and Walmsley, 2011: 15–16). For example, migrants from East Asia and the Pacific, who once migrated elsewhere within the region, now constitute sizable communities across the world. An increasing number of Africans make their homes in Europe and the United States. Finally, the share of women in international migration flows is progressively increasing as well.

A striking feature of the spatial labour mobility – whether within one country, international or intercontinental – is the rapidly swelling lack of employment at the point of departure. Migration as a permanent change of residence can no longer be taken for granted. The conventional notion of lasting departure from the place of origin and resettlement at the site of destination has given way to going off but coming back again after some time or, at the latest, towards the end of working life. Ongoing circulation also tends to be restricted to individualised earning capability and does not involve other family members. In such instances the household as a unit of cohabitation becomes multi-locational with those moving out sending remittances back home to provide livelihood income for its non-labouring members. The increasing part of the globalised workforce made footloose in cyclical migration often remains adrift, undocumented and unregistered in the landscape of their passage. *Sans papiers*, they are vulnerable in their illegality and easily fall victim to exploitation, repression and deportation.

Growing un- and underemployment – partly the result of growing labour productivity without the redistribution of jobs – is the final factor that we should mention. The new technological revolution has resulted in the steady displacement worldwide of unskilled to low-skilled labour by capital, further tilting the already highly skewed balance between them. According to the ILO, between 5 and 6 per cent of the world's labour force is unemployed. This figure is deceptive. In countries where unemployment benefits and other social security arrangements are virtually non-existent, unemployment rates tend to be remarkably low, because very few can afford not to have a job at all. Deprived from all means of production, they get by as casual labour and may drift into

begging, prostitution and other forms of mendacity. It is a state of subhuman existence which signals the return of social Darwinism. The actual unemployment problem is several times greater than the ILO statistics suggest. Gallup, the well-known American management consulting company, has shared some interesting observations about this. In the past few years, the company has organised global surveys revealing that in 2014 and 2016 32 per cent of residents aged 23 to 65 across 155 countries had so-called “good jobs” – that is, they worked at least 30 hours per week for an employer. Gallup believes that a large share of all other workers – half of the self-employed and people who work part time but want full-time work – should be added to the unemployed, yielding a total of roughly 33 per cent currently unemployed or underemployed (Gallup, 2017: 18; Clifton, 2018).

How can we bring back the social question to the agenda of the global powers that be? The urgent need to do so is of imperative relevance, as argued in a recent publication (Bremman, Harris, Lee and Van der Linden, 2019). The common denominator of the multi-continental contributions made to this volume is that this will not take place under the current regime of neo-liberal capitalism. The relative decline of the international trade union movement should be seen in this context.¹ Global union density is currently somewhere between 6 or 7 per cent and only reaches that level by including the disputed presence of the state-directed and controlled Chinese trade union organisation in the estimate. There are, of course, important and courageous attempts at renewal, such as the Indian New Trade Union Initiative, or WIEGO, a worldwide network of working-class women in the informal economy.² But much more has to be done, especially in and from the dominating North. The challenge is huge and awesome. The current regime of predatory capitalism does not provide enough gainful work for the dispossessed masses in the globalised economy. Because they are redundant to demand, they are considered to be surplus people. With muted voices and held invisible in their pauperised habitus, they are not acknowledged as stakeholders allowed to take part in the discussion on how to cut up the world’s accumulated wealth. The fall-out of the ongoing COVID-19 crisis, hurting the poor segments of the population in terms of health and livelihood more than those who are better off, makes the problem caused by staggering inequality of even greater significance than it already was in “normal” times.

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¹ On this decline, see Marcel van der Linden (2016).

² ntui.in; Women in Employment: Globalizing and Organizing, wiego.org.

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BIOGRAPHICAL NOTES

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