The Crisis of Capitalism Through Global Value Chains

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The Crisis of Capitalism Through Global Value Chains

Abstract

Transnational corporate power within global value chains has been a byproduct of features that have long been inherent to global capitalism. The first is a built-in tendency of capitalism toward falling rates of profit that lead to structural crises within the system. The second is the increased concentration of capitalist ownership as a response to the falling rates of profit and the imperatives of capitalist accumulation. The third is an inherent tendency of capitalist owners of production to look to foreign markets and increased exploitation of workers as “solutions” to capitalist crises. I explain these long-term dynamics of capitalist crises in relationship to the expansive growth of global value chains. Within these value chains, transnational firms have steadily attempted to usurp a higher percentage of control over high-valued activities and to force the costs of operations downward on workers, societies and those that are most vulnerable. The growing concentration and consolidation of corporate power that has characterized neoliberal capitalism is nothing new. Instead the latest period of capitalist restructuring represents a deepening effort on the part of transnational capitalist interest blocs to mitigate crises through increased market access and increased exploitation.

Keywords
Global Value Chains, Capitalism, Crisis of Capitalism

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Transnational firms have consolidated their market power and their political privilege by intensifying the exploitation of workers within global value chains. Corporations established the architecture of global value chains by consolidating their ownership of high-value activities while pushing costs of production downward in the supply network. These changes occurred over several decades spanning what many commentators have called “neoliberal capitalism.”

The shift toward neoliberal capitalist strategies of accumulation was a response on the part of large-scale capitalist firms to a steady decline in the rate of profit from 1965-1982. Transnational capitalists used both market and political mechanisms in an attempt to overcome the long-term tendency within capitalism of the rate of profit to fall. In response to long-term crisis, the most globally competitive and powerful capitalist firms utilized political and economic strategies that further concentrated wealth and power within global capitalism. During the neoliberal capitalist period, the wealthiest one percent have increased their consolidation of wealth and market power so that by 2016, “just one percent of humanity owned over half of the world’s wealth” (Oxfam Briefing Paper 2016).

The race among dominant transnational corporations to achieve a monopoly or quasi-monopoly position by acquiring the latest technological advances is a defining characteristic of the latest phase in the “new globalization.” This phase accelerated after the global capitalist crisis of 2008, which has resulted in several trends that have been driven by a systemic crisis in neoliberal capitalism. The first is the stagnation of global value chains reflected by global trade statistics, as the volume of global trade dramatically fell in the aftermath of the 2008 capitalist recession and has failed to rebound to pre-crisis levels (Timmer et.al. 2016). The biggest factor behind the global trade slowdown has been the stagnation of trade within global value chains, which has intensified after 2014 after having rebounded from 2011-2014 (Constantinescu, Matoo and Ruta 2015). In response, transnational corporations are reducing the complexity of global value chains (incorporating fewer suppliers) in favor of greater capital-intensity and greater consolidation of those value chains around the most important global markets (Degain, Meng and Wang 2017). As part of this process, transnational corporations have reorganized their global capitalist employees more rigidly around two categories: production supervisors and managers that oversee the logistical and supply operations of the global value chains and are relatively well-paid, and workers who produce within these chains at wages that continue to stagnate and decline relative to capitalist revenues (Timmer, et.al. 2013).

Second, the gap between the profits of the dominant transnational corporations and the wages of the global capitalist workforce has grown wider, as more wealth is concentrated at the top. This has resulted in a further “hollowing out” of the industrial workforce in the core capitalist states, often expressed as a shrinking “middle class,” alongside the increased exploitation of the global working class (Milanovic 2016). These class tensions have resulted in further deligitimacy of capitalist governments in the West, contributing to the rise of Donald Trump in the U.S. and other quasi-fascist political figures and parties in Western Europe. The increased class tension is a long-term byproduct of the contradictions of a neoliberal capitalist political project that has steadily increased the power of transnational interest blocs while reducing the political influence of workers and ordinary citizens, whose political marginalization and alienation have steadily increased. As I will show later in this article, the political and economic power of transnational corporations has served to deligitimize the governing
institutions of core global capitalist states, creating a political crisis that has heightened tensions based on class, race and nationality.

Third, the global value chains that were previously dominated by North-South linkages, with the dominant transnational corporations concentrated in the Northern states, have increasingly been challenged by the dramatic rise of China and the policies of the Chinese state, particularly in the area of high-technology, which has helped to shift global value chains a bit more in a South-South direction, with countries of the global South, led by China, reorienting global value chains (to some extent) toward production, marketing and consumption within the global South (Horner and Nadvi 2018). The Chinese state has enacted policies that have contributed to a greater emphasis on domestic production and accumulation and to more stringent requirements for foreign transnationals investing in high-technology manufacturing in China in an attempt to assert greater control over these value chains.

The heightened competition among transnational interest blocs in the China market reflects the current contradictions within global capitalism. The Chinese state has long been an important player in mediating the political and economic conditions necessary to help transform and expand global capitalism into a vast global value chain network. Indeed, as many scholars have documented, China has become the epicenter of global production activities, which includes high-value activities centered around production of computers, electronics, telecommunications, or, taken as a single category: information technology products. The battle over the extraction of surplus value from the China market is at the center of the latest crisis of neoliberal capitalism. Competition among transnational interest blocs within the China market has intensified under the current dynamics of global capitalist accumulation. The key battles revolve around how surplus value will be extracted from contemporary global value chains, which transnational interest bloc coalitions will benefit the most from the political economy of value extraction and, most importantly, how will ownership and control over high-technology processes be determined in this phase of global capitalism?

In order to understand the current phase of the neoliberal capitalist crisis, several aspects have to be addressed. The first involves the increasing power of information technology corporations within the architecture of contemporary global capitalism. This is not entirely novel, but is taking new and accelerated dimensions after the global capitalist crisis of 2008. Prior to the 2008 crisis, information technology firms were already central to capitalist accumulation due to the importance of high-technology in enabling the integration of global value chain production. Firms that owned information technology were in a favorable position to leverage their ownership as global capitalist production expanded. The most globally competitive manufacturers depended on information technology to segment production across country and regional locations. Dominant transnational retail corporations likewise depended on the high-tech revolution in information technology to facilitate just-in-time global network deliveries and distribution. The increasing power of information technology corporations within neoliberal capitalism has always exceeded their actual contribution to GDP and their actual contribution to employment, which until recently has remained relatively small within core capitalist economies.

Second, there has been a steady exponential growth of the information technology sector during the period of neoliberal capitalism, with “investment in the IT sector [jumping] from $17
billion in the 1970s to $175 billion in 1990, then to $496 billion in 2000. It then dipped following the turn-of-the century dot-com bust, only to climb up to new heights after 2008, surpassing $700 billion as 2017 drew to a close” (Robinson 2018, 6). By 2017, of the six transnational corporations with the highest market capitalization, five are high-tech firms (Apple, Google, Microsoft, Amazon and Facebook) and the sixth is a financial investment firm (Berkshire Hathaway) which has considerable investments in high-tech companies. The growth in market size and power of these tech giants is directly linked to the rising importance of ownership and control of data processing in contemporary capitalism. The capitalist crisis of 2008 has led to a further concentration of investments in high-tech corporations whose ownership of data collection, storage, processing and infrastructure has become more central to capitalist accumulation strategies. Transnational corporations in manufacturing and services that are looking to expand market access and market share are increasing their investments in data processing, which means that more financial capital is flowing toward information technology firms. Institutional investors looking toward the most profitable activities to steer investment funds have targeted information technology companies above other sectors of capital, further contributing to their exponential growth in market capitalization.

Third, information technology firms have steered a very high percentage of their revenues toward offshore financialized assets and tax havens, in an effort to shield their profits from taxation and to maximize their financial portfolio options. Increasingly, IT corporations are purchasing bonds floated by transnational corporations in other sectors of the global economy as a way to hedge their enormous financial assets across a range of financial investments. In effect, these IT firms are becoming the new investment banks by purchasing bonds issued by a wide range of transnational corporations who have been borrowing money (and leveraging their own assets) to help compensate for a long stagnation in global markets following the 2008 capitalist crisis (Foorohar 2018). Global overcapacity in production, including production embedded within global value chains, has steered more investment capital toward information technology and IT services in an attempt to restore a higher rate of profit in capitalist production activities.

Transnational corporations across a wide range of sectors see investments in information technology, especially in digital communications and data, as central to advancing their competitiveness and restoring profit margins in the midst of heightened global competition. This retooling of investment priorities has resulted in a slowing and reorientation of global value chains, especially from 2014 to the present, when investment in global value chain production has stagnated. Transnational firms that were previously committed to an expansion of value chain production have turned increasingly toward investments in information technology which potentially could be used to further revolutionize capitalist production relationships. This means that transnational firms are looking toward increased investment in high technology to reduce reliance on low-cost labor in global value chains. Transnational corporate investments in automated production processes involve greater reliance on digitization, data infrastructure and roboticization to leverage ownership assets toward higher-value activities. This process has already involved expanded mergers, acquisitions and concentration of capital within the information technology sector during the most recent phase of global capitalist competition after the 2008 capitalist crisis. Information technology firms have emerged as central players in the global competition for ownership of “capitalist platforms” that can be utilized as rents during the transition to what some have described as the fourth industrial capitalist revolution. As more
transnational capitalist firms look to expand their reliance on digitization and automation processes, the ability of information technology firms to consolidate ownership of the global data infrastructure is increasingly central to the accumulation imperatives of the new global capitalist architecture.

Nick Srnicek, in a 2016 book called *Platform Capitalism*, analyzed how high-tech corporations are increasingly monopolizing their control over global “platforms” that provide data services that other transnational corporations increasingly depend on. The rapid growth of the high-tech service sector within the global economy is a product of a structural shift in global capitalism toward acquisition of revolutionary technological processes. The production, buying and selling of goods and services in the global capitalist marketplace is increasingly tied to processes of automation, artificial intelligence, robotization, and cloud infrastructure systems that facilitate business transactions. High technology transnational corporations are the dominant global players in consolidating ownership over these activities. As I have noted, Apple, Google, Microsoft, Amazon and Facebook have the highest market capitalization among transnational corporations, apart from Berkshire Hathaway. These corporations, alongside Cisco and Oracle, also have been in the lead when it comes to cash hoarding and shifting their revenues to tax havens, especially after the global capitalist crisis of 2008.

<table>
<thead>
<tr>
<th>Company</th>
<th>Reserves (billions of USD)</th>
<th>Amount held offshore (billions of USD)</th>
<th>Amount held offshore (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apple</td>
<td>215.7</td>
<td>200.1</td>
<td>92.8</td>
</tr>
<tr>
<td>Microsoft</td>
<td>102.6</td>
<td>96.3</td>
<td>93.9</td>
</tr>
<tr>
<td>Google</td>
<td>73.1</td>
<td>42.9</td>
<td>58.7</td>
</tr>
<tr>
<td>Cisco</td>
<td>60.4</td>
<td>56.5</td>
<td>93.5</td>
</tr>
<tr>
<td>Oracle</td>
<td>50.8</td>
<td>46.8</td>
<td>92.1</td>
</tr>
<tr>
<td>Amazon</td>
<td>49.6</td>
<td>18.3</td>
<td>36.9</td>
</tr>
<tr>
<td>Facebook</td>
<td>15.8</td>
<td>1.8</td>
<td>11.4</td>
</tr>
<tr>
<td>Total</td>
<td>568.0</td>
<td>462.7</td>
<td>81.5</td>
</tr>
</tbody>
</table>


The centrality of these high technology firms to the latest trends in capitalist global restructuring need to be understood in a broader context. First, high technology firms derive the highest percentage of their profits from their intellectual property rights, which can be easily financialized and therefore more easily shifted to tax haven locations. Second, the sheer magnitude of their revenue streams and the importance of their activities to other capitalist sectors gives them structural power beyond their market value. High technology firms, not limited to those in the previous table, and large-scale transnational manufacturing corporations are increasingly moving to acquire technological leadership across multiple global capitalist platforms. These include a wide range of capitalist “platforms” that are being revolutionized by the incorporation of new technological processes, including cloud and industrial platforms.

For example, Amazon Web Services has emerged as the leading transnational corporation in renting “out cloud computing services, which include on-demand services for servers, storage
and computing power, software development tools and operating systems, and ready-made
applications (Srnicek 2017, 61). Google, Microsoft and IBM are competing to offer related
services. Google is “selling its machine-learning processes;” Microsoft is building “an artificial
intelligence platform that gives businesses the software development tools to build their own
bots; and IBM “is moving to make quantum cloud computing a reality (Srnicek 2017, 62). In the
area of industrial platforms, General Electric, Siemens, Microsoft and Intel are competing
aggressively to own the technology that allows dominant firms to position “themselves as the
intermediary between factories, consumers and app developers….to monitor much of how global
manufacturing operates, from the smallest actuator to the largest factory,” and to “draw upon
these data to further solidify their monopoly position” (Srnicek 2017, 69).

During the period from 2000-2008, transnational investors from the U.S., the E.U. and
Japan dominated the high-tech FDI sector in China. In the aftermath of the 2008 global crisis, the
Chinese state has implemented a more aggressive strategy toward foreign transnationals in the
high-tech sector by increasing requirements for joint technology sharing and the transfer of
intellectual property rights. Though Chinese state-owned and private sector firms remain well
behind the leading transnational firms in leading technologies such as semiconductors, the
Chinese Communist Party has been attempting to reverse what it sees as a history of almost
complete deference to U.S.-based transnational corporations. A Communist Party-linked
newsmagazine “singled out” the ‘Eight Guardian Warriors’: Apple, Cisco, Google, IBM, Intel,
Microsoft, Oracle and Qualcomm in a critical report that said these firms “had been able to drive
right into China…whereas Huawei and another Chinese equipment maker ZTE had been kept
out of the United States (Zhong and Mozur, NYT, March 23 2018). In an effort to reorient the
Chinese economy toward more favorable acquisition of high technology, the Chinese state has
attempted to increase the magnitude, scope and depth of technology restrictions and technology
sharing requirements for foreign transnationals. These measures have included “banning
government offices from installing the most recent version of Microsoft Windows,” removing
Cisco, Apple and Intel products “from state lists that officials use as guides when buying
equipment,” and fining Qualcomm “with a $975 million fine for anticompetitive behavior”
(Zhong and Mozur NYT, March 23 2018). The political pressure led more U.S.-based
transnationals to agree to link their foreign investments to Chinese partners, including
“Advanced Micro Devices, Intel and Qualcomm” which “began working with Chinese
organizations in microchips, which China imports in huge quantities to put into smartphones,
computers and other electronics” (Zhong and Mozur NYT, March 23 2018).

However, despite the attempts by the Chinese state to steer more technology agreements
toward private and state-owned firms in China, the reality is that the U.S.-based technology
giants continue to benefit heavily from their presence in the China market. These firms have
every reason to oppose a trade war with China, given the stakes of their investment. They prefer
a strategy of cooperation and selective negotiation in setting the terms of foreign direct
investment, rather than the economic nationalist strategy that is preferred by some of the hard-
line officials within the Trump Administration. As recently as 2017, Apple continued to be a
dominant foreign investor in China, generating $18 billion in revenue from investments there,
which represented 20% of its total sales. Boeing’s China sales totaled $12 billion in 2017,
“almost 13% of its overall revenue” (La Monica, CNN Markets Now, March 22, 2018). Intel,
Texas Instruments, Nvidio, Micron and Qualcomm maintain a significant presence in the China
market, with “manufacturing plants there and Chinese tech companies that use their processors” (La Monica, CNN Markets Now, March 22 2018). Nike “sold $1.2 billion of sneakers and athletic apparel in China” according to “its last quarterly report” of 2017. General Motors announced that it had sold “a record high 4 million vehicles in 2017...fueled by strong demand for Cadillac and Buick brands” (La Monica, CNN Markets Now, March 22 2018).

The embeddedness of transnational corporations in the China market remains a key characteristic of the new globalization, one that has not been altered by the recent moves of the Chinese state to deepen the ties between these foreign transnationals and Chinese companies. However, as the competition has intensified for acquisition of the most high-value products in the latest phase of global capitalism, the range of actors clashing over terms of access to the China market has increased. The election of Donald Trump as U.S. President has further strained U.S.-China relations, as the Trump Administration is forcefully threatening a trade war against China and other countries if these trading and investment partners fail to change their behavior toward the U.S. As of this writing, the escalation of tariffs between the U.S. and China is intensifying the levels of conflict among competing transnational interest blocs who are being forced to adjust to the nationalist policies of the Trump Administration.

The tension between the U.S. and China over the terms of access to the China market is being filtered between competing transnational blocs of state and private sector actors. U.S.-based high-tech and manufacturing firms that are already well-positioned within the China market oppose the use of protectionist tactics against China. They prefer instead a more strategic approach to foreign competition and leverage in the China market that involves more U.S. subsidies to the high-tech sector and more aggressive state support for acquisition and retention of the latest technological innovations within future trade and investment agreements. In January of 2017, just before Donald Trump took office, the CEOs (and former CEOs) of high-tech firms, along with a prominent U.S. defense contractor, were enlisted by the Obama Administration to write a report about the best way to preserve the U.S. leadership role in semiconductors, chipmaking, robotics and the move toward 5G technologies (President’s Council of Advisors 2017). The participants included Microsoft, Qualcomm, the J.P. Morgan Chase Institute, and Northrup Grumman, as well as groups with close links to private sector and security interests such as Kissinger Associates, among others. The overall orientation of the report was a recommendation to avoid using protectionism to challenge China’s attempts to steer technology toward Chinese state and private sector firms. Instead, the authors of the report advocated more aggressive, proactive steps that should be taken to help maintain a U.S. lead, which included pressuring China toward greater enforcement of intellectual property rights, fewer restrictions on technology sharing in the China market and greater use of diplomatic negotiating channels, including trade and investment agreements, to support U.S.-based capitalists in maintaining their lead in high-technology ownership. Essentially, these are identical to the strategies that I have documented throughout this book. But this report added a nationalistic twist that framed the entire discussion around U.S. “security objectives,” equating the ability of U.S.-based transnational capitalists to maintain their lead in high technology to enhanced U.S. “security.” The way that security interests are framed always goes through the most powerful private sector actors, indicating the extent to which the definitions of national security are heavily shaped and directed by who has the most private sector power and influence.
The Trump Administration partly finds itself in power as a result of the effective use of nationalism, xenophobia, racism and China bashing that derives from an exaggeration of Chinese “threats” to U.S. national security. Trump’s campaign heightened the nationalist rhetoric by appealing to U.S. “white” workers that he would fight for their jobs by aggressively preempting China from continuing its practices of “undercutting” U.S. businesses and investors. In taking this stance, Trump was staking out a political narrative that was heavily driven by electoral considerations—he managed to win in part by successfully appealing to significant numbers of white working class voters in key midwestern swing states, though the extent of this “working class” vote has been exaggerated (Davis 2017). These appeals were being driven by right-wing nationalists within his administration that had long viewed China as a threat to “national security” whose trade and investment policies had to be stopped by strong U.S. actions, so that protectionist measures would if necessary be utilized to grant further privileges to U.S. traders and investors in the China market. The U.S. military-industrial complex has typically trafficked in this elevation of the “China threat” to enhance its own bureaucratic and private sector interests. Nationalists within the Trump Administration, specifically U.S. Trade Representative Robert Lighthizer and trade advisor Peter Navarro, are spearheading a strategy of protectionism to advance what they perceive to be “U.S. interests” in China, and to some extent they have the support of the military-industrial-security-intelligence complex, as well as some U.S. business sectors, especially sections of the steel industry in the Midwest, that views China as a competitive threat. These hardline nationalists view trade and investment negotiations as an win or lose proposition that pits U.S. corporations and the U.S. state against the Chinese state (Beshudi, Politico, March 22, 2018).

However, there are divisions within the Trump Administration on how to tactically approach the issue of increasing access, privilege and profits for U.S. firms in the China market. As I have shown, leading U.S. firms in the information technology and manufacturing sector currently make significant amounts of profits from their location in global value chains in China. They are longstanding partners with Chinese private capital and the Chinese state across diverse sectors of the Chinese economy. These actors, represented by powerful U.S. business associations such as the Business Roundtable, have close allies in the Trump Administration such as U.S. Treasury Secretary Steven Mnuchin and Lawrence Kudlow, the Director of the National Economic Council. Their preferred strategy is to broker a U.S.-China deal that will commit China to ease restrictions on joint venture requirements and technology sharing, while providing more open-ended access to U.S. traders and investors, especially in the information technology sector (Economic Times May 3 2018). The tension in the Trump Administration lies between the nationalist/protectionist strategy of the hardliners and the internationalist preference for negotiation with China. Trump internationalists share the concerns of U.S. high-technology and manufacturing firms that a trade war would be too destructive to risk, even as a negotiating tactic, while nationalists advocate a trade war as a “national security” necessity.

In order to understand the particular roots of Trump’s ideological nationalism, we have to locate the emergence of the Trumpian political coalition within the broader currents of the crisis of contemporary capitalism. Indeed, it would be a mistake to see Trump or his far right counterparts in Europe as an aberration.
The Crisis of Capitalist Democracy

The rise of Donald Trump as President of the United States is a strong manifestation of the crisis of capitalist democracy under neoliberalism. Trump exists side-by-side with the rise of far right xenophobic movements in Europe that have begun to effectively contest elections over the past decade. These reactionary movements, despite their populist rhetoric, have used the scapegoating of minorities and immigrants as a tool to further advance neoliberal corporate policies by camouflaging those policies under the veneer of populist nationalism. Trump, like his reactionary counterparts in Europe which includes a range of far right parties, built his electoral appeal around the fundamentally racist program of defending the interests of “whites” against immigrants and minorities whose very existence was equated with threats to the health and safety of “law-abiding” Americans. In his speeches, Trump sent code words to “white” Americans that he understood their grievances in “having been bypassed, ignored and forgotten” in contemporary U.S. politics, and that his Administration would support their interests through a dramatic expansion of “law and order” policies that would include increased policing, deportation, and criminalization of the immigrant population as well as a “take the gloves off” approach to police conduct in inner cities. The appeals to “whiteness” co-existed with the use of explicitly class-based language designed to draw a wedge between white workers and minority members of the working class. Yet contrary to the rhetoric that emphasized solidarity with the “white working class,” Trump’s actual campaign contributions came overwhelmingly from corporate interests during the last two months of the campaign. According to extensive documentation of Federal Election Campaign data unearthed by Thomas Ferguson, Paul Jorgensen and Jie Chen, Trump received his largest campaign donations from hedge fund investors, steel corporations, casinos and some silicon valley firms (Ferguson, Jorgensen and Chen 2018).

The fact that corporate interests would ultimately gravitate toward Trump in the last couple of months of the campaign, and would continue working with him to advance their agenda, is indicative of their own search for lowest-common-denominator solutions to implement a continuation and acceleration of their policy preferences. In all likelihood, Trump was not their first choice, but corporations saw in his election victory an opportunity to advance key components of their neoliberal agenda, which would include the most dramatic and extensive tax cuts for corporations in U.S. legislative history, even surpassing the earlier “supply side” tax cuts pushed by Presidents Ronald Reagan and George W. Bush (Gittleson, BBC News, April 17, 2018). The tax cut was promoted alongside a systematic slashing of U.S. government regulation of big business, often undertaken via executive orders by President Trump. The Administration during its first year alone “has succeeded….in bringing the regulatory system to a near halt” mainly through a dramatic restriction of any new regulatory action that could be pursued by regulatory agencies (Vinik, Politico, Jan. 20, 2018). Trump has also issued executive orders weakening existing regulations in finance, the environment, workplace health and safety, consumer protection, federal employment, and an extensive set of business investment practices.

The deregulation agenda has mostly been welcomed and celebrated in the business and corporate press, and among corporate interest groups that have worked closely with Trump on deregulation and tax cut issues. At the same time, the Trump Administration is aggressively implementing a domestic policing, surveillance and criminalization program that targets
immigrants, low-income communities and minorities as part of the self-described “law and order campaign.” This exists side-by-side with a dramatic escalation of the military budget and a dramatic expansion of the use of U.S. drone strikes and military operations, justified by reference to the ongoing “war on terror.” The fact that not all corporate interests are supportive of Trump’s attacks on immigrants and minorities is hardly surprising. Among corporate executives, there is more discomfort regarding Trump’s use of racist rhetoric than there is over actual policy choices—especially when it comes to lower corporate tax cuts and deregulation, which these transnational corporations have endorsed. The institutionalization of the far right within the ranks of the Republican Party and the long history of the Democratic Party in endorsing and implementing neoliberal policies, is at the root of the increasing deligitimacy of U.S. capitalist institutions, including Congress and the Presidency itself. The historical patterns of growing deligitimization have anticipated Trump and his contemporaries in Europe.

In the primary elections to select Presidential nominees, the dominant corporate donors to the Republican and Democratic Parties were incapable of stopping Trump, and were even blissfully unaware of the extent to which his appeals would ultimately be successful. Their inability to steer the usual list of preferred candidates to the office of the Presidency is itself a product of a systemic crisis of political legitimacy, wrought by decades of polarization of incomes under neoliberal capitalism. Capitalist democracies during the period of regulated capitalism (1945-1979) gained legitimacy by the appearance of the separation of capitalist ownership rights in the marketplace from the political institutions that govern capitalism. During this period, Social Democratic parties in Western Europe, and to a lesser extent the Democratic Party in the U.S., paid some amount of attention to labor unions and mass constituents in formulating their policy agendas. The era of neoliberalism (1979 to the present) has broken any such appearances, with the dominant political parties, regardless of party label, moving rightward to embrace many of the same economic policy agendas. This includes support by both center-left and center-right parties for the central components of what is often referred to as “neoliberalism”: reduction in social welfare spending, support for privatization of essential public services, deregulation of health and safety regulations, erosion of anti-trust laws, reduced taxes on the wealthiest citizens, and the globalization of markets on terms negotiated by corporate elites.

This pursuit of neoliberal economic policy agendas on the part of mainstream political parties has coincided with lower voter turnout and dramatic reductions in public legitimacy, reflecting a rise in public distrust of governments and a belief that governments are run by the wealthy for the wealthy, and the emergence of third parties in Europe that are often dominated by the far right of the spectrum including xenophobic and openly racist and fascistic parties. Instead of capitalist crises leading to the emergence of left-wing alternatives, which has been seen to a certain extent in Greece Spain, the current strength of far-right parties has eclipsed the ability of a coherent left to mount an effective counter-attack. The inability of capitalist economic crises to generate the emergence of mass movements on the left is a puzzle worthy of further reflection. Left-wing scholars and activists have grappled with this question over the past two decades and have managed to develop some theories as to why a left based in working class constituencies has not emerged to challenge the neoliberal consensus of policy-making elites. A full explanation is complex and cannot be reduced to only one variable.
The emergence of a transnational global capitalism in which production is increasingly dispersed across the borders of states has fractured the ability of workers to defend themselves at the nation-state level. As I have argued in this book, the interest of transnational capital has been thoroughly globalized and protected through as many as 400 investment agreements signed between capitalist states during the 1990s and 2000s (Gathii 2011). At the same time, workers are restricted from moving across borders which are increasingly policed and militarized. Those who have been allowed to cross the borders of nation-states face high-levels of marginalization, policing, and criminalization, further solidifying the structural power of capital both economically and politically (Chomsky 2014). Right-wing forces have been able to take advantage of these circumstances to wax nostalgic about the “loss of national heritage” in appeals to groups of white workers who are willing to accept such claims, generating increasing levels of support for quasi-fascist groups. Meanwhile the parties in power of the center-left and center-right are quick to use immigrant labor as a scapegoat for broader societal problems, further lending legitimacy to far-right hate groups, and repeating historical patterns.

While important, the impact of structural global factors in explaining the drift of parties to the right of the political spectrum is not sufficient in explaining the lack of a clear left alternative. The institutional features of governance in an age of neoliberal capitalism need to be inserted into the equation to fully grapple with the politics of the right-turn. But for skeptics, it is first necessary to show that this right-turn does exist across a range of states with diverse institutional and class histories. Fortunately, scholars have a tool to measure such shifts in policy preferences over time known as the Mapping Policy Preferences database, which examines the extent to which political parties of differing labels have adopted similar neoliberal policies while in positions of power in Western Europe and in North America (Mudge 2011). From the 1990s to the present, the trends from this database are quite clear: regardless of institutional differences or levels of commitment to social democracy, the trajectory of Social Democratic Parties in Europe and the Democratic Party in the U.S. show remarkable convergence in their support of neoliberal policies. That means that ostensibly center-left parties have moved to embrace many of the tenets of neoliberal orthodoxy in supporting reductions in welfare spending, privatization of social services, “competition policy” that has served as a justification for greater liberalization of markets on terms highly favorable to corporate interests, and reductions in the tax and regulatory obligations of the upper income strata of their populations.

The extent to which center-left political parties have turned in favor of neoliberalism, even in Scandinavian countries with a longer commitment to Keynesian redistribution, requires some amount of explanation. The first part of the equation is the greater structural and instrumental power of capitalist political organizations which were central in promoting neoliberal policies at the highest levels of policymaking. This is not strictly a matter of lobbying, although there have been expansive networks of corporate lobbying in the U.S., Canada and Western Europe, led by the Business Roundtable in the U.S. and the International Chambers of Commerce and the European Roundtable of Industrialists in Europe (Murray and Scott 2012). The most powerful corporate groups can minimize overt lobbying by exerting a more profound influence on policymaking through the process of agenda-setting, which entails the establishment of policy foundations funded by transnational corporate actors that can establish the parameters within which policy debates occur. For example, the policy technocrats within the European Union are advised by a network of well-connected policy foundations that do the bidding of their
corporate donors, whose interests are often cloaked in the garb of technocratic problem-solving “solutions” to policy dilemmas. Much of the deregulatory and market liberalization policies in the European Union owe their existence to a well-established network of policy associations with deep ties to transnational capital (Cronin 2013). Similarly, corporate networks have been directly involved in the negotiation of the bilateral investment agreements led by the European Union and the U.S. that have helped establish the terms for the globalization of production, including corporate supply chains that have weakened the ability of labor unions to counter the negative effects of “free trade.”

The second part of the puzzle is also significant: the professionalization of party hierarchies in the institutionalized discourse of neoliberalism has made their policy orientation closer to each other than their rhetoric or oppositional discourse would appear. Even in the U.S., where the scholarly literature of American politics has emphasized the “polarization” of political parties, the polarization has occurred within an overarching agenda of neoliberalism. It was the Clinton Administration, after all, that not only embraced but implemented many of the neoliberal policies supported by the Reagan Administration in the 1980s: a move toward balanced budgets that saw an increase in reductions of federal social welfare expenditures in the neoliberal era, an emphasis on criminalization and policing in federal justice policies, a further deregulation of the banking sector that reached its height in wide bipartisan support for the elimination of the Glass-Steagall Act which eliminated the already weakened barriers separating commercial and investment banking (Meeropol 1998). While the Clinton Administration did support the increases in tax rates for the upper two percent of taxpayers, the increase was not enough to offset its support for corporate restructuring and tax loopholes that further the neoliberal globalization agenda, not to mention its support and leadership in passing NAFTA—which became the model of corporate-backed investment agreements over the next twenty years. In other words, the regressivity of the Reagan era was codified and solidified by a Clinton Administration that talked of a “third way” whose rhetoric was designed to bypass association with traditional conservative or liberal policy proposals, but in fact gave ideological cover to neoliberal policy measures. Given the history of Democratic convergence with the neoliberal policy agenda, which actually starts with Democratic President Jimmy Carter, there is clearly a cavernous gap between political scientists’ contention that the parties are “polarized” and the rather overwhelming evidence that both parties have pursued neoliberal policy agendas.

The extent to which Republican and Democratic Party elites diverge from one another is often expressed in social issues such as religion versus secularism, abortion rights vs. “pro-life”, nativism vs. legal immigration, and individual property rights such as gun ownership, all of which are rarely if ever discussed in the public arena within the larger context of corporate power and class privilege but instead are more narrowly conceptualized as a cultural war of identity pitting those that “think like us” against those that “oppose our values.” This liberal framing of these identity and cultural issues contribute to a retreat from addressing class power and privilege in favor of “identity” markers and has greatly contributed to the party polarization that does exist, even if it’s not polarization around neoliberalism, which both parties have endorsed (Krasa and Polborn 2013).

In Western Europe, where a different set of technocratic institutional politics prevail, the party elites position themselves differently, as purveyors of a technocratic “wisdom” that comes
from a regulatory and institutional structure increasingly insulated from public opinion. Indeed, the very establishment of a European Union around a European Central Bank that takes its cue from the German Bundesbank indicates the extent to which the European project is a corporate project, with roots of support from the most powerful corporate actors in Europe, not the least of which is the European Roundtable of Industrialists. But instead of the crass lobbying embedded in U.S. politics, the technocrats at the center of the regulatory apparatus of the E.U. legitimize the crafting of E.U. policies in the language of codified rule-making that is designed to insulate European elites from the more “narrow” concerns of citizens within the nation-states of Europe.

The result has been a predictable gap between an E.U. elite that emphasizes a common European project, and European citizens who feel that this project is being forced down their collective throats. With Social Democrats tied to the corporatist agenda of the E.U., with its top-down structure and its promise of social benefits and redistribution to the masses (which masks the neoliberalism at the heart of actual E.U. policies), the double-speak between what Social Democrats say about the benefits of the E.U. and how ordinary workers experience the actual neoliberal policies on the ground becomes harder to sustain. The result is an E.U. bureaucracy that is increasingly delegitimized, as evident by the negative votes on the E.U. Constitution in France and the Netherlands in 2005, while other votes were either cancelled or postponed as E.U. technocrats worked to move around public opposition to save their political project. The recent appointments of E.U. technocrats in place of actual governing officials to preside over the implementation of austerity policies in the indebted states of Greece and Italy speak volumes about the replacement of citizenship with corporate technocracy (Streeck 2014, 97-164).

The rise of the European far right needs to be viewed in this historical context, with strong similarities to the rise of Donald Trump in the U.S. In both Europe and the U.S., the far right had long found a home within the more conservative establishment parties. Corporate interests have often bankrolled the far right as bulwarks against policy measures that they oppose, especially high levels of taxation on the wealthy and income redistribution. In Europe, the far right political parties which have recently improved their electoral performance have much older histories within mainstream political parties. The leadership of the United Kingdom Independence Party emerged from the British Liberal Party. The founder, Alan Sked, “was also an early member of Margaret Thatcher’s Bruges Group, founded on the basis of a speech she gave in 1988 arguing that the Tories “had not successfully rolled back the frontiers of the state in Britain, only to see them re-imposed at a European level” (Afonso, Rennwald 2017). The Dutch far-right nationalist Geert Wilders began as “a protégé of liberal politician Frits Bolkestein, a proponent of Reaganomics who went on to push for a radical deregulation of the European labor market as European Union commissioner” (Afonso, Rennwald 2017). Jean-Marie Le Pen, the far-right nationalist of France and the founder of the French National Front, “was first elected to Parliament in 1956 for the party of Pierre Poujade, who championed a tax insurgency on behalf of small shopkeepers against the so-called ‘fiscal Gestapo’” (Afonso, Rennwald 2017). The far right tendencies in Britain, Denmark, and France all have shared a central tenet with other far-right organizations throughout the world, including the Tea Party in the U.S. in supporting dramatic cuts in government spending and a scaling back of government to “nightwatchman” functions, which include the military, police, criminal justice and diplomacy.
The roots of the radical right are in middle class, white nationalist currents, with a disproportionate representation of small business owners whose cost-margins are tighter than their corporate counterparts. The extent to which the far right has been able to attract working class voters has been limited by their opposition to the very social programs that have been supported by the working class. However, given the context of the rise of neoliberalism and the shrinking of the social welfare state, the far right has attempted to broaden its appeal to white working class voters by a combination of racist messaging, anti-immigration policies and verbal support for a preservation of some aspects of the social welfare state—at least in the case of the far right in Britain, France and Denmark. In the case of the Tea Party in the U.S., there has been more consistent opposition to government spending and regulation, policy positions which have resulted in some factions of the Tea Party movement receiving generous corporate funding. The move of Tea Party supporters to vote for Donald Trump, against the preferences of the Republican Party strategists, indicates that once unleashed, far right nationalist movements cannot be easily contained and controlled.

In recent decades, the far right parties in Europe have overtaken many of their Social Democratic Party counterparts in gaining support from white workers who have grown disillusioned with Social Democratic Party policies, especially the embrace of neoliberalism which has coincided with broader patterns of inequality and reductions in working class living standards. The Danish People’s Party, the Party of Freedom (Netherlands), the Front National (France), the Northern League (Italy), the Austrian Freedom Party and the Swiss People’s Party have all seen a growing working class support base that has come at the direct expense of Social Democratic Parties. A recent study by Alexandre Afonso and Line Rennwald traces this movement of workers to far right nationalist parties to an explicit shift in the rhetoric of far right parties toward support for an expansion of social welfare measures, redistribution of wealth, increased credits for people on low incomes and increased pensions. However, this rhetorical shift has been contradicted by the actual policy positions that far right parties adopt when in power. This has led Afonso and Rennwald to conclude that “voters cannot be tricked indefinitely”, a conclusion that has been demonstrated by the experience of the far-right government that recently ruled Austria, which lost two-thirds of its seats after its “conservative cabinet committed to implementing wide-ranging austerity”, a policy position that went directly against its campaign appeals to white workers (Afonso, Rennwald 2017).

The tension between far right parties using populist rhetoric to attract working class voters is rooted in the fact that far right coalitions have historically been dominated by small business factions who feel most threatened by the rising costs of regulations and taxation measures, and by corporate coalitions who attempt to use far-right political movements to advance parts of their policy agenda. As transnational corporations provided aggressive support for attacks on the social welfare state, the rise of far right political organizations provided ideological ammunition for those attacks, and could serve at times as allies of broader capitalist interests.

However, the capitalist crisis of 2008 encouraged the far right to elevate its racist, misogynistic and xenophobic rhetoric to a broader public platform in order to take advantage of the increasing illegitimacy of mainstream political parties and institutions. The passage of the Brexit Amendment in the United Kingdom rode the coattails of a conservative nationalist
critique of the E.U. that had divided the Conservative Party since the days of Margaret Thatcher. In fact it was the Conservative Prime Minister who pushed for British citizens to be able to vote for whether or not to stay in the E.U., with the Conservative leadership being convinced that Brexit would be defeated in the process. Much to the astonishment of the British establishment, a combination of small business support for Brexit alongside the growing resentments of sections of the white working class against the British immigrant population resulted in victory for the pro-Brexit side. Though corporate interests in Britain favored staying in the E.U., there were a section of British capitalists, closely linked to corporate supporters of Donald Trump, who saw Brexit as a way of serving defeat to the globalist factions of the ruling class, which was thought to contribute to the “deconstruction” agenda favored by far-right quasi-fascists like Steve Bannon in the U.S. The pro-Brexit vote was championed by right-wing corporate libertarian Robert Mercer, a hedge fund billionaire who was Trump’s biggest campaign donor and whose family had been instrumental in bringing Steven Bannon into the Trump campaign when it had been floundering. The Mercer family heavily funded the ultra-right wing publication Breitbart News, which was directed under the editorial leadership of Bannon.

The tension between the longstanding transnational corporate support for pro-corporate investment agreements and the rise of far right factions endorsing policies of protectionism need to be better understood, especially given the rise of Trump and the triumph of Brexit in the U.K. First, the rise of the far right should be seen as part of the crisis of capitalist legitimacy. The inability of powerful transnational capitalists to fully direct and control who gets elected and on what terms is becoming an increased reality at the core of the capitalist system in the U.S. and in Europe. Second, the relationship between transnational capital, the Trump Administration, and the European far right is much closer than it may appear on specific issues. Transnational capitalists have worked with the Trump Administration to support the corporate tax cut and the deregulationist agenda of the administration, which was seen by much of the U.S. business establishment as a welcome continuation of neoliberal corporate policies. Likewise, both Trump and the far right parties in Europe use racist attacks, criminalization of immigration and attacks on lower-income communities, as tools to oppose the interests of the broader working class. The lengths with which the far right goes to demonize minorities and immigrants only furthers to divide, cripple and weaken an effective counter-mobilization of workers and the poor against the system. This orientation of the far right mirrors the tendencies built-in to the capitalist sytem: decades of transnational capitalist attacks against the working class has contributed to the very existence and legitimacy of these policies, as workers have turned against one another based on deeply embedded histories of racial and national distinctions.

The key question becomes: how does the working class overcome its divisions and unite to push back against decades of defeats within global capitalism? This will require thinking strategically and mobilizing collectively. The increasing consolidation of global value chains may give the working class a new opportunity to unite in gaining more power against the owners of global capitalist enterprises. The creation of key logistical nodes that facilitate the final assembly and delivery of global products to their destinations has actually served to concentrate workers in strategic locations within the global capitalist system. At those nodes the working class may be able to use their leverage to force substantive changes in the way the system is organized.
Working Class Power in Global Value Chains

A recent International Labor Office Report concludes that 20 percent of the global workforce are employed in value chains (ILO 2015). Transnational corporations increased the portion of their workforce employed by corporate subsidiaries (through foreign direct investment) by 21 million in 1990 to 71 million in 2015 (Mosley 2017, 154). The number of workers employed in global value chains is significantly higher than this figure, given that transnational firms have increasingly relied on subcontracting through original equipment manufacturers who in turn contract with lower tier supply chain firms. As a result, workers in developing countries now account for a majority of workers employed in global manufacturing. The terms of such employment have grown more precarious as global value chains have become more complex and differentiated. Transnational firms push down the costs to low-tier suppliers which then squeeze the wages paid to workers, who are underpaid relative to their productivity and often lack an adequate social safety net which increases the level of vulnerability and precariousness in employment. The segmentation of production across countries lends itself to a “divide and conquer strategy” whereby the headquarter firm, whether a supply firm or a demand firm, are able to force competition among low-tier businesses within the supply network, further encouraging poor working conditions.

Given these circumstances, how do workers effectively fight back in an effort to increase wages and promote better working conditions? The answer is complicated by the fact that capitalism is a global system with imperatives toward maximization of surplus value by capitalist owners. The ability of workers to effectively fight for reforms is always threatened by the logic of the system, which has proven malleable in reversing short-term gains by workers to facilitate the imperatives of profit. That being said, the transnational corporations that benefit the most from global value chains remain vulnerable to value chain disruption, especially given the increasing consolidation of value chains that has been occurring within global production over the past decade. Gary Gereffi has identified the long-term trends of consolidation that has been accelerated after the global capitalist crisis of 2008. The 2008 crisis has encouraged a greater consolidation of ownership at the top of global value chains, as headquarter firms have accelerated their mergers and acquisitions in an effort to further concentrate ownership on high-value activities—which is especially apparent in the concentration of power and privilege within the global information technology sector, as examined in the previous section. But such consolidation has also been apparent in the concentration of ownership within other sectors of global manufacturing, as well as the intermediate parts of the supply chain, which includes the original design and equipment manufacturers. As Gereffi has noted, “the question increasingly posed by the transnational lead firms of GVCs is ‘how can we rationalize our supply chains from 350-500 suppliers to 25-50 suppliers’ (Gereffi 2014, 15).

In 1980, “the world’s 1,000 largest companies…represented about 30 percent of the GDP of the OECD countries. By 2010, that figure rose to 72 percent” (White, GreenBiz 2017). Within this global concentration of corporate power, there has been a further level of corporate concentration within the major sectors of global value chains. In the automobile sector, just 16 car manufacturers “sell more than 1 million vehicles per year, but those cars are built from parts supplied by just ten major component makers, meaning that auto assemblers are now reliant on a small cadre of mega suppliers who each sell parts to rival assemblers” (Lee and Gereffi 2015,
The rise of mega-suppliers has meant greater levels of concentration among just a few dominant firms in coordinating the production of component parts for final assembly of automobiles. The auto manufacturers as headquarter firms still have disproportionate power in these relationships, due to their ability to “determine when, where and at what price they will sell fully assembled vehicles to customers around the world” (Lee and Gereffi 2015, 322). However, the auto manufacturers have been able to use information technology to reorient the value chain process by redirecting production toward a more consolidated supply chain network that is more capital-intensive and located closer to larger markets where cars are sold.

For the big three U.S.-based auto manufacturers, Ford, GM and Chrysler, there has been a dramatic consolidation of suppliers from the 1990 to 2010, mirroring the trend in other manufacturing sectors. The market power of headquarter firms exerted such pressure on original equipment manufacturers and lower tier suppliers to force a combination of bankruptcies and mergers at the lower tiers of the supply chain. “The number of supplier firms declined by 80 percent from 1990 to 2010, particularly in the 1990s as many tier 3 suppliers either went bust, exited the parts business or merged with others to defend or gain market share” (Moody 2017, 51). The result has not been a reduction in working class positions in U.S. auto manufacturing, which some observers may have assumed to be the case. Instead, the U.S.-based auto manufacturing sector has employed roughly the same number of workers to facilitate the transition to a more consolidated automobile manufacturing process, a figure which totaled 733,000 by 2015, only slightly less than the 770,000 recorded in 2000. To be sure, there has been clear evidence of increased exploitation of this U.S. workforce, as workers are categorized into different classifications allowing manufacturers to take advantage of a workforce that is considerably less costly, but more productive, than it used to be. This process mirrors the trends in Germany, the E.U. and Japan, where multi-tiered classification of workers has resulted in overall lower wages despite higher productivity.

In the sector of mobile phone production, just a few headquarter firms/brands dominate the contracting of production across a few countries. “The five leading firms account for more than half of global markets in mobile phones (56 percent), smartphones (60 percent), contract manufacturing (75 percent) and smartphone operating systems (99 percent). Two leading firms control a big portion of each market, such as Apple and Samsung in smartphones, which give rise to oligopolistic market structures” (Lee and Gereffi 2015, 326). This concentration of ownership is complemented by the consolidation of production locations, “with just five large exporters, China, South Korea, Hong Kong, Vietnam and the U.S., commanding 74 percent of the world’s exports in 2012, with China alone representing half of them” (Lee and Gereffi 2015, 326). This increased concentration and consolidation has resulted in a growth in size and power of original equipment manufacturers such as Foxconn, whose profits have soared given their dominant location as an OEM within the center of burgeoning supply networks. Corporate market power serves to block upgrading by new competitors from locations that are outside the arc of centralized corporate power. This structure of corporate power and privilege also results in the concentration of corporate networks within logistical nodes of production that pivot around key countries in regional locations where demand is growing fastest, which is led by China and East Asia, and in Africa is dominated by the centrality of South African capital within value chain linkages to the African continent. In South America, Brazilian firms have emerged as leaders of agri-commodity value chains whose links to Europe and to China have led to further
concentration of corporate power and privilege in Brazil, including the active involvement of Brazilian agribusiness corporations in what has been described as a parliamentary “coup” against the Labor Party President, Dilma Rousseff. The coup has paved the way for greater agribusiness consolidation of agricultural land in the Brazilian countryside (Vigna Le Monde Diplomatique, May 2018).

In fact, there has been a concentration of corporate power in global agribusiness that has also been accelerated by the utilization by headquarter firms of big data. For decades agribusiness corporations have accelerated the pace and scope of cross-border mergers and acquisitions which have further consolidated the global agri-food sector. “Since 2015, the ‘biggest year ever for mergers and acquisitions,’ a number of high-profile deals have come onto the table in a range of agri-food sectors—often with a view to linking different nodes in the chain. These include the $130 billion merger between U.S. agro-chemical giants, Dow and DuPont, Bayer’s $66 billion buyout of Monsanto, ChemChina’s acquisition of Syngenta for $43 billion and its planned merger with Sinochem in 2018” (Mooney, In These Times Oct 17, 2017). As explained by Pat Mooney:

Financialization—ie the increasingly powerful role of financial actors, motives and trends in shaping global economic activity—has become a major driver of corporate consolidation across various sectors as investors demand higher and short-term payouts. However, beyond the physical (e.g. drones) and scientific (gene editing) technologies behind agri-food sector consolidation, information technology (IT) comes out as the newest and most powerful driver. Big Data connects inputs—seeds, fertilizers and chemicals—to farm equipment and retailers to consumers in unprecedented ways. A significant horizontal and vertical restructuring is underway across food systems (Mooney In These Times Oct.17 2017).

This pattern of concentration of capital and the consolidation of manufacturing production is occurring across all manufacturing sectors and agricultural sectors, driven by the headquarter firms’ acquisition of information technology as a tool to rationalize supply chain management. This has meant a logistical shift of production toward a more concentrated supplier network, a more consolidated and centralized working class located at key logistical nodes within the global value chain delivery system, and heightened exploitation of workers both in the core of the capitalist system and in developing countries. In core locations, decades of transnational capitalist attacks on workers unions, reduced health and safety protections, less regulatory supervision, and increase utilization of a multi-tiered and differentiated (non-union) workforce has increased exploitation of workers. In developing countries, super-exploitation occurs which goes uncaptured by traditional development statistics which undercounts the gap between productivity and wages that is a structural and instrumental product of often unchecked corporate and state power within developing countries, where enforcement of laws regulating worker pay, safety, health and overall working conditions is low-to-non-existent.
Under these circumstances, how do workers begin to fight back to tilt the balance away from rising and largely unaccountable corporate power? The place to start is by mapping a strategic orientation to corporate power in global value chains. This means identifying the transnational headquarter firms location at the top of these value chains, connecting the profits that flow to that firm from supplier networks and examining the key logistical “choke points” that are essential to ensure “just in time” delivery of component parts as they are being assembled into finished vehicles or as they are being processed and delivered to market locations. The increased concentration and consolidation of global value chains has meant that transnational firms and their supply networks are more tightly interconnected than ever before. This provides opportunities for developing worker strategies targeted at disrupting the most valuable distribution points within the value chain process. These distribution points are typically located in the largest global markets of the U.S., the E.U., Japan, China and in other select locations within East Asia. The opportunities, however, for effective utilization of labor pressure vary by sector and are necessarily differentiated given the opportunities (or lack thereof) of cross-border worker solidarity, either through unions or independent worker actions that may involve wildcat strikes, work stoppages, etc.

Building transnational union networks that strategically plan effective actions based on a clear assessment of power relationships within global value chains is a key organizing tool. “The Global Union of Foodworkers has been particularly effective in building such networks and forcing management at such global corporations as Coca Cola and Unilever into regular negotiations. In the construction industry, the Global Union Building and Woodworkers International (BWI) has networked unions in conjunction with major sports events such as World Soccer Cup and the Olympics, bringing public attention to bear on working conditions at construction sites in such countries as South Africa, Brazil and Qatar. And the Global Union IndustriALL coordinates a number of transnational union networks in various sectors” (Fichter International Policy Analysis 2015). These models are important starting points, but they are limited in scope and scale and hardly sufficient at this stage to tackle the enormity of the balance of power held by transnational firms.

Namely, the above efforts are focused on gaining leverage with headquarter firms in global value chains by selectively mobilizing workers and orienting them toward a marketing campaign that then highlights the complicity of brand name corporations in value chain exploitation. If successful, these firms will agree to make concessions that may make a marginal difference in securing higher pay for workers employed by lower tier suppliers. The long-term leverage for workers, however, can only be realized by a more concerted effort to target the increasingly centralized logistical nodes of the value chain. Corporations make their profits by ensuring timely assembly and delivery of their product to the most important market locations—brand name capture and market power is increasingly financialized at the very top of the value chain cluster. In order to get the attention of these firms, and to shift the power toward workers at the bargaining table, including the global union structures referenced above, more militant actions are needed at key nodes within the value chain. That’s why strategic examination of value chains remains such a valuable resource in helping workers organize their collective efforts to disrupt production and force a greater amount of profits to be diverted as wages.
This process of increasing worker leverage must utilize a multi-pronged offensive that involves global worker solidarity that can be used to develop strategic plans for organizing workers within global value chains, as well as acknowledging the diverse circumstances confronting workers in different value chain locations—which means developing the most effective political strategies for confronting power in countries where governments exercise the most extreme repression and prohibition against a wide range of working class actions. And, finally, worker coordination of political and economic actions has to be undertaken in a way that maximizes leverage against the most powerful headquarter firms at the top of the global value chain, where market leverage is the greatest.

A targeted campaign that involves both political and economic power objectives is essential. That means workers must privilege broader alliance networks that give them the most opportunity to advance their interests as a class, and not tie their fortunes to institutional structures of power and privilege that will easily sacrifice short-term reforms for a return to more exploitation. A crucial part of this strategy is identifying alliance networks between working class organizations, left political organizations and grassroots organizations representing the most exploited and marginalized. It also means developing programs that tie economic struggles to political struggles that are able to produce victories against capital on multiple fronts. Thus far, the institutional capture of the reform process by business unions, liberal NGO networks and “corporate social responsibility” advocates promise window-dressing reforms that do nothing to change power relationships, and indeed have proven useful in limiting and controlling opposition and dissent. Alternative root networks have to be built in order to develop effective strategies for change.
Conclusion

Transnational corporate power within global value chains has been a byproduct of features that have long been inherent to global capitalism. The first is a built-in tendency of capitalism toward falling rates of profit that lead to structural crises within the system. The second is the increased concentration of capitalist ownership as a response to the falling rates of profit and the imperatives of capitalist accumulation. The third is an inherent tendency of capitalist owners of production to look to foreign markets and increased exploitation of workers as “solutions” to capitalist crises. I have explained these long-term dynamics of capitalist crises in relationship to the expansive growth of global value chains. Within these value chains, transnational firms have steadily attempted to usurp a higher percentage of control over high-valued activities and to force the costs of operations downward on workers, societies and those that are most vulnerable. The growing concentration and consolidation of corporate power that has characterized neoliberal capitalism is nothing new. Instead the latest period of capitalist restructuring represents a deepening effort on the part of transnational capitalist interest blocs to mitigate crises through increased market access and increased exploitation.

In the latter part of this article I have suggested a reinforcement, deepening and intensification of worker cross-border mobilizations that are necessary to shift the balance of power from capitalist to workers, both in core capitalist countries and in developing countries. Just as transnational capital has organized itself globally, workers and the disenfranchised have to organize themselves across state borders to realize the goals of long-term emancipation. A significant part of the effectiveness of this process is being aware of the extent to which transnational firms at the top of global value chains use market and political strategies to usurp value from workers, societies and communities.
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