

# COLOSSUS WITH FEET OF CLAY

U.S. imperialism and the struggle for  
socialism in the age of globalization

[WORKING TITLE]

[Editor's note: the material being made available here is a preliminary draft of the first three chapters of what will eventually become a book by Workers World Secretariat member Fred Goldstein. These draft chapters are being circulated now as discussion material for the Workers World Party conference of Nov. 17-18, 2007.]

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# Imperialism, Globalization, and the High-Tech Revolution

## Marx on globalization

The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and thereby the relations of production, and with them the whole relations of society. Conservation of the old modes of production in unaltered form was, on the contrary, the first condition of existence for all earlier industrial classes. Constant revolutionizing of production, uninterrupted disturbance of all social conditions, everlasting uncertainty and agitation distinguish the bourgeois epoch from all earlier ones....

The need of constantly expanding markets for its products chases the bourgeoisie over the whole surface of the globe. It must nestle everywhere, settle everywhere, establish connections everywhere.

—Karl Marx, *The Communist Manifesto*

The above quote from Karl Marx is perhaps the most concise yet comprehensive description of the globalizing tendencies of capitalism yet penned. It so profoundly captures both the spirit and the essence of ever-expanding capitalism that it is often quoted by even the fiercest opponents of Marxism. It is unsurpassed as a historical depiction of capitalism as it was developing 160 years ago, when the *Manifesto* was written, but at the same time renders a vivid picture of the process going on today before our very eyes.

After all, is not current-day imperialist “globalization” accompanied by the revolutionizing of the means of production, communication, and transportation and driven by the need of the profiteers to chase over the entire surface of the globe? Are they not destroying social relations as they go everywhere—reaching into remote towns and villages as well as teeming cities, drawing tens and hundreds of millions into their ever-widening web of exploitation?

Marx described the globalizing tendencies of capitalism in its most general form. In its earliest stages, capitalism’s irrepressibly expansive character already stood out in bold relief to societies that preceded it. But Marxism, in its efforts to explain and promote the class struggle, is the doctrine that sees all things in their development. Society, like all natural phenomena, can only be understood in motion. It is important to grasp the specific stage of capitalist globalization we are in at the moment, in order to gain the proper perspective in the struggle against imperialism and for socialism. It is necessary to see what forces led up to the present and what are at work now that will propel society forward to the next stage.

Prior to the age of imperialism, as Marx’s quote from the *Manifesto* indicates, capitalist globalization was primarily driven by the search for trade and markets. The quest for gold and other precious metals, as well as luxuries and articles of consumption—spices, sugar, coffee, indigo, cotton, wool—had been driving capitalist enterprises to expand at the very dawn of capitalism. Christopher Columbus set out looking for trade routes to India, but the conquistadors wound up looting the Indigenous peoples of the Western Hemisphere. The Portuguese, the British East India Company, the Dutch East India Company, and later the French East India Company were among the early “globalizers” whose merchant capital penetrated India and Indonesia, among other regions of the globe, in search of trade and profit.

Most importantly, the African slave trade became fully integrated into the newly developing capitalist system and served to generate massive wealth for the European and U.S. financiers and merchants who profited both from transporting and selling slaves and from marketing the commodities created by slave labor.

This penetration of commercial capital laid the basis for future colonization. But it was the full-blown development of massive large-scale industry—with railroads, steamships and later electricity-based industrial processes, the telegraph, metallurgy, and other technological advances—that led to the insatiable

ble need of the giant capitalists for industrial raw materials. Coal, iron ore, tin, oil, lumber, rubber, bauxite, jute, and other agricultural commodities were required for the developing factory-based profit system.

With superior firepower and technology, and backed by their respective capitalist governments, the new multinational corporations were able to overcome anti-colonial resistance and impose massive forced labor in the mines, on plantations, building roads, railroad tracks, ports, and transporting and loading freight.

By the end of the nineteenth century, as the larger and stronger capitalists swallowed up the weaker ones, giant firms were created that dominated national and, eventually, world markets. This process led to the transformation of competitive capitalism into monopoly capitalism—i.e., imperialism—and the export of capital as the new expansionary force driving the profit system.

Karl Marx and Frederick Engels, the founders of modern scientific socialism, analyzed the fundamental economic laws and class contradictions of capitalism as a social system. These contradictions discovered by Marx and Engels still govern the development of capitalism—such as the labor law of value, for example, and its corollaries, including the maximization of profit. (The labor law of value demonstrates that the exchange value of everything sold is determined by how much socially necessary labor is embedded in it, not by how much people need it. That is why a luxury item like emeralds, which take a great deal of labor to find and to mine, cost so much, while a necessity like water, which is relatively easy to get, is cheap by comparison. While supply and demand may push prices up and down, it is within a range dictated by the amount of labor in a commodity.)

In the age of capitalist monopoly, which grew enormously in the twentieth century, changes occurred in the economic and political forms by which these laws played out on a world scale. These changes profoundly affected the class struggle, requiring fresh analysis and updating in light of new developments.

Monopoly capitalism ushered in, among other things, a vast expansion of the global export of investment capital and with this, the age of imperialist war and the widening and deepening of national oppression.

### **Lenin on twentieth-century imperialism**

Vladimir Lenin, the leader of the Russian Revolution of October 1917, came to political maturity in the late nineteenth and early twentieth centuries. This was the very period during which competitive capitalism was transformed into fully developed monopoly capitalism—that is, capitalism’s imperialist stage. It was Lenin who brought Marxism up to date to take into account the vast changes in capitalism brought about by the growth of global monopolies since the time of Marx and Engels.

Among Lenin’s wide-ranging contributions to the updating of Marxism was his crucial analysis of imperialism. In his groundbreaking work *Imperialism, the Highest Stage of Capitalism*, written in 1916 at the height of the first imperialist world war, he laid out the anatomy of the system. He demonstrated that the essence of monopoly capitalism was the development and domination of finance capital, that is, the merger of giant industrial capital with bank capital. He showed how the imperialist powers had divided the entire globe into spheres of influence or outright colonies and how they were in a constant struggle to redivide territories for plunder. Giant cartels and syndicates of the international monopolies had taken control of the world markets.

Lenin focused on the role of the export of capital as a dominant feature of imperialism. He showed that finance capital drove foreign corporate investment and the expansion of imperialism into the underdeveloped world. The corporations made vast profits from these ventures because they paid the workers in the oppressed countries far less than the workers in the imperialist countries. He called the extra profits made because of these super-low wages “super-profits” and the process of exploitation at such low wages “super-exploitation.” The quest for super-profits led to the flow of capital from the giant corporations into low-wage areas of the globe, in much the same way as today. In Lenin’s time, however, the bosses sought these super-profits primarily through investment in mining, plantations, and the infrastructure needed to bring out raw materials and other products.

The dominant technology of the time—railroads, the telegraph and later the telephone, steamships, canals, heavy industrial manufacturing, etc.—determined the development of the structure of world capitalism. The gigantic, integrated industrial factories and administrative offices that centralized production and business processes existed almost exclusively in the imperialist countries. Slow-moving freighters, cumbersome international telephonic communication, etc., dictated the form of division of labor within the world, which left the oppressed workers and peasants in the colonies and semi-colonies primarily limited to performing relatively unskilled and backbreaking physical labor. This labor largely involved providing the riches of the earth that would be transformed into manufactured products in the distant imperialist countries. There was a clear separation of function in the world capitalist system between the workers in the imperialist countries and the super-exploited workers in the oppressed countries.

Even with the invention of air travel and telephonic communication, it was still possible, during the first century of imperialism, to have an approximate demarcation between the economic activity in the “domestic economy”—that is, the imperialist centers—and the expanded capitalist economy represented by foreign investment or, as Lenin accurately described it, the export of capital. The domestic economy consisted mostly of high-level manufacturing and services as well as increasingly mechanized and concentrated agriculture. Foreign holdings might include textile mills, even some auto plants and light manufacturing, but by and large it referred to such occupations as mining for gold, diamond, tin, copper, bauxite, etc., or plantation labor producing cocoa, coffee, palm oil, oranges, bananas, and so on. All demanded hard labor at low wages necessary to support imperialist plunder.

While one part of this picture still remains the same—the plunder of the resources of the formerly colonial countries—the scientific-technological revolution has added a whole new dimension to world economic processes that is having revolutionary implications.

### **The dual character of imperialism**

Lenin’s Marxist analysis of imperialism as it arose at the end of the nineteenth century and developed thereafter, showed that it had a two-fold effect on the development of the struggle for socialism.

On the one hand, imperialism, by spreading the capitalist system and wage slavery everywhere, tends to lay the material basis for socialism. It has spread modern means of production across the globe and created a vast productive network involving hundreds of millions of workers. The single aim of this ever-growing network was increasing capitalist exploitation and expanding profit. That is why poverty and inequality grow along with it. But this technologically advanced, integrated (socialized) world-wide apparatus of production and services is precisely what is needed to efficiently and effectively carry out planned world production for human need.

On the other hand, imperialism also tends to create greater division between the upper and lower layers of the working class, both on a world scale and within each imperialist country. The bosses have used this division to ward off the socialist revolution, particularly in the imperialist countries.

In his polemic against Russian opportunists, Lenin referred to the British colonialist Cecil Rhodes to make his point about how imperialism softened the class struggle:

It is not without interest to observe that even then [the end of the nineteenth century—ed.] these leading British bourgeois politicians saw the connection between what might be called the purely economic and the socio-political roots of modern imperialism. Chamberlain advocated imperialism as a ‘true, wise and economical policy,’ and pointed particularly to the German, American and Belgian competition which Great Britain was encountering in the world market. Salvation lies in monopoly, said the capitalists as they formed cartels, syndicates and trusts. Salvation lies in monopoly, echoed the political leaders of the bourgeoisie, hastening to appropriate the parts of the world not yet shared out. And Cecil Rhodes, we are informed by his intimate friend, the journalist Stead, expressed his imperialist views to him in 1895 in the following terms:

“I was in the East End of London (working-class quarter) yesterday and attended a meeting of the unemployed. I listened to the wild speeches, which were just a cry for ‘Bread! Bread!’ and on my way home I pondered over the scene and I became more than ever convinced of the importance of imperialism.... My cherished idea is a solution for the social problem, i.e., in order to save the 40,000,000 inhabitants of the United Kingdom from a bloody civil war, we colonial statesmen must acquire new lands to settle the surplus popula-

tion, to provide new markets for the goods produced in the factories and mines. The Empire, as I have always said, is a bread and butter question. If you want to avoid civil war, you must become imperialists.”

That was said in 1895 by Cecil Rhodes, millionaire, a king of finance, the man who was mainly responsible for the Anglo-Boer War. True, his defense of imperialism is crude and cynical, but in substance it does not differ from the “theory” advocated by Messrs. Maslov, Südekum, Potresov, David, the founder of Russian Marxism and others. Cecil Rhodes was a somewhat more honest social-chauvinist....<sup>1</sup>

Because the multinational corporations and banks have such a stranglehold over the underdeveloped countries—which are underdeveloped because they are held back by imperialism and colonialism—they are able to bring in vast profits, some of which they have historically used to make concessions to sections of the workers in the “home” country. With these super-profits they promote a labor leadership in the imperialist countries loyal to capitalism, in order to keep the workers from rebelling against capitalism.

Lenin, in *Imperialism*, described this two-fold, contradictory character of imperialism. He gave an illustration of the enormous leap forward in the socialization of production wrought by monopoly capital on a world scale during the formative stages of imperialism and described how, at the same time, the distribution of super-profits retarded the revolution.

When a big enterprise assumes gigantic proportions, and, on the basis of an exact computation of mass data, organizes according to plan the supply of primary raw materials to the extent of two-thirds, or three-fourths, of all that is necessary for tens of millions of people; when these raw materials are transported in a systematic and organized manner to the most suitable places of production, sometimes situated hundreds or thousands of miles from each other; when a single center directs all the consecutive stages of processing the material right up to the manufacture of numerous varieties of finished articles; when these products are distributed according to a single plan among tens and hundreds of millions of consumers (the marketing of oil in America and Germany by the American oil trust)—then it becomes evident that we have socialization of production, . . . that private economic and private property relations constitute a shell which no longer fits its contents, a shell which must inevitably decay if its removal is artificially delayed, a shell which may remain in a state of decay for a fairly long period (if, at the worst, the cure of the opportunist abscess is protracted), but which will inevitably be removed.<sup>2</sup>

Here, Lenin is referring to the inevitability of proletarian revolution. As he explained in a later preface, such language would not get past the tsarist censors in 1916.

Lenin’s reference to “the opportunist abscess” in this famous paragraph was exceedingly important. After having made his economic analysis, Lenin dwelt specifically on the deliberate policy of the imperialist ruling class to promote sharp stratification and inequality among the workers, in order to divert the class struggle.

### **Opportunism and super profits**

He observed that imperialism, with its monopoly profits, creates a minority of privileged nations where it “has a tendency to create privileged sections also among the workers and to detach them from the broad masses of the proletariat.”<sup>3</sup>

“Obviously,” wrote Lenin in 1920 in a preface to the French and German editions of the book, “out of such enormous *super-profits* (since they are obtained over and above the profits which capitalists squeeze out of the workers of their ‘own country’) it is *possible to bribe* the labor leaders and the upper stratum of the labor aristocracy. And the capitalists of the ‘advanced’ countries are bribing them; they bribe them in a thousand different ways, direct and indirect, over and covert.”<sup>4</sup>

At the time he was writing *Imperialism*, Lenin was fighting for a revolutionary workers’ opposition to World War I. The predominant sections of the leadership of the socialist Second International had capitulated to their own ruling classes and backed the war. This was an unexpected, catastrophic development in the socialist movement. It was contrary to resolutions passed just before the war by these same leaders, promising to mobilize the workers against the war effort of their own ruling classes should war break out.

Thus, by explaining the stratification in the working class as a result of imperialism, Lenin gave a materialist analysis regarding the collapse of the Second International. Besides just issuing a condemnation of its leaders, implicit in his analysis was a profound explanation of how the development of the imperialist stage averted the early overthrow of the capitalist system.

The upper stratum of the workers was the social base for the opportunist labor leadership—leaders loyal to capitalism and imperialism. Bourgeois society would recognize only them as the official representatives of the workers. They adopted every manner of pro-worker demagoguery but attached themselves to one wing of the bourgeoisie or another, keeping the workers chained to capitalism and obstructing the development of the struggle for socialism. This trend retarded the development of the subjective conditions for revolutionary proletarian class struggle, in spite of the maturity and ripeness of the objective material conditions for socialism.

### **Three factors behind new ‘globalization’**

The export of capital in the age of the scientific-technological revolution is sharply countering this trend. It is pushing downward the standard of living of the vast majority of workers in the imperialist countries. The process for building up privileged layers of the working class as a loyal social and political base for the imperialist bourgeoisie is being steadily eroded. This process is the result of three deeply related developments within the last two decades.

First is the enormous expansion of the number of low-wage workers who became available to direct exploitation and super-exploitation by the giant multinational corporations and banks with the political victory of imperialism over the USSR and Eastern Europe. This was preceded by the victory of the right-wing “capitalist road” faction of the Chinese Communist Party. These victories had ramifications for the workers in both the low-wage countries and the imperialist countries.

The second is the profound scientific-technological revolution that enabled the capitalist class to make a leap forward in the creation of new labor processes in both production and services, including advances in automation, robotization, and computerization. This has created new automated processes in the factories, mines, offices, ports, etc., in which tens of millions of higher-wage jobs simply disappeared while a small number of high-skill jobs took their place and low-wage jobs mushroomed. As the skills required by capital were wiped out, layoffs, large and small, became the rule.

In the third, most recent phase of the scientific-technological revolution, advances in transportation, communications, internet technology, and software development permitted the giant capitalist companies, with huge treasuries and links to the giant banks, to create *a new international division of labor in the world*, or what Marx called the social division of labor, as distinct from the division of labor in the workplace. The new technology opened up to the capitalist class the ability to reorganize and relocate production processes around the globe, using both new and old methods. This process accelerated a worldwide corporate race to find the cheapest labor in the less developed countries (and in low-wage areas at home) and incorporate them into the networks of the most modern productive processes, as well as import low-wage labor from abroad.

The process of imperialist super-exploitation was freed from all geographical and geological limits by the scientific-technological revolution. It could now be carried out wherever workers could be rounded up on the globe.

### **Marx on technological revolution and the international division of labor**

Marx showed how the revolution in the means of production that took place with the development of machinery and the factory system, i.e., a new division of labor within the workplace, gave a great impetus to a new social division of labor.

So soon, however, as the factory system has gained a certain breadth of footing and a definite degree of maturity, and, especially, so soon as its technical basis, machinery, is itself produced by machinery; so soon as coal mining and iron mining, the metal industries, and the means of transport have been revolutionized; so soon, in short, as the general conditions requisite for production by the modern industrial system have been

established, this mode of production acquires an elasticity, a capacity for sudden extension by leaps and bounds that finds no hindrance except in the supply of raw material and in the disposal of the produce. On the one hand, the immediate effect of machinery is to increase the supply of raw material in the same way, for example, as the cotton gin augmented the production of cotton. On the other hand, the cheapness of the articles produced by machinery, and the improved means of transport and communication furnish the weapons for conquering foreign markets. By ruining handicraft production in other countries, machinery forcibly converts them into fields for the supply of its raw material. In this way East India was compelled to produce cotton, wool, hemp, jute, and indigo for Great Britain.... A new and international division of labor, a division suited to the requirements of the chief centers of modern industry springs up, and converts one part of the globe into a chiefly agricultural field of production for supplying the other part, which remains a chiefly industrial field.<sup>5</sup>

Thus the age of machine tools, advanced metallurgy, railroads, the telegraph, etc., and the industrial factory system led to the subordination of the colonial peoples to the needs of the industrial ruling class of developing capitalism for agricultural raw materials. The same process is going on today, but it has been drastically modified under contemporary economic and political conditions.

### **Early world division of labor**

Lenin in 1916 gave a general description of the extent of the socialization of production and world division of labor. Until the 1970s, Lenin's description of what were the main features of imperialism continued to apply: the obtaining of raw materials and agricultural products to be shipped hundreds or thousands of miles from the oppressed countries to central points of production in the imperialist countries and then distributed, all according to central corporate plans, either by a single giant monopoly or a cartel.

The important point to note is the emphasis on the shipping of raw materials and agricultural products from the colonies to production centers in the imperialist countries. With the exception of some neo-colonial countries, such as Argentina, most workers in the oppressed countries labored in the mines, on plantations, in agricultural settings, or in transportation and the ports. Thus direct competition for manufacturing and service jobs between workers in the colonies and in the imperialist countries was limited.

In the United States chattel slavery in the South had provided the equivalent of colonial labor, an internal colony that produced vast wealth. Much of that wealth flowed into the coffers of the bankers, merchants, shipping lines, insurers, etc., in the North. It was the totally unpaid labor of generations of enslaved African people that formed much of the basis of the commercial and industrial wealth of the U.S. capitalist class.

The early stages of plunder of Latin America also added to U.S. capital accumulation. Washington entered the full-fledged stage of imperialism with the conquest of Cuba, Puerto Rico, and the Philippines in 1898 in the so-called Spanish-American War. It took possession of their agricultural and mineral wealth and super-exploited the newly conquered colonial labor.

In the present era the scientific-technological revolution has brought about development of the productive forces—in electronics, computerization, transportation, communication, and Internet technology—that has enabled the monopolies to reorganize world production, bringing hundreds of millions of low-wage workers into global manufacturing and services and thus, in direct wage competition, job for job, with the working class in the imperialist countries.

Whereas the export of capital was once used to foster an upper stratum of the working class in the imperialist countries, to soften the class struggle, and to promote social stability, with the new world division of labor the export of capital is being used to drive down the living standards of the workers in the imperialist countries; decimate the upper layers of the workers and sections of the middle class, and destroy job security and social benefits. This will inevitably undermine the foundation of social stability. It will lay the basis for the revival of class warfare in the heartland of the giant corporate exploiters. Furthermore, the expanding worldwide socialization of the labor process and the rapidly growing international working class is making class solidarity across borders against imperialism an imperative.

## **Internationalism and globalization**

The first imperative in establishing international solidarity is for workers and their leaders in the United States to take a global view of the entire working class. The problem of international wage competition is a dangerous one for the working class in the imperialist countries, especially here. Dealing with it could easily lead down the path of national chauvinism, if not outright racism. The reflex of sections of capital that are losing out in the global competition is to call for protectionism. This falls right in line with right-wing populist demagoguery of the Lou Dobbs type.

But the top labor leadership in the United States has also leaned toward narrow-minded bourgeois protectionism, allegedly to “protect American workers.” In the fight against the treacherous tactic of capitalist-inspired international wage competition that pits workers in this country against low-wage workers in the rest of the world, the first premise must be that the enemies are the globalizing bosses, not the workers in low-wage countries who are suffering poverty and unemployment and desperately need jobs. The hundreds of millions of unemployed or low-wage workers in the rest of the world live in countries whose resources were plundered, whose labor was brutally exploited, and whose very civilizations were trampled upon by colonialism and imperialism. And it was this process of robbery and plunder that greatly contributed to the creation of the wealth of the United States, including everything from railroads to coast-to-coast highways, auto plants, machine shops, skyscrapers, laboratories, educational institutions—and television sets, iPods, and the Hollywood film industry.

This plunder, which has made the United States the richest country in the world and given it a high standard of living, has also created underdevelopment—the source of poverty and unemployment in those low-wage countries to whom jobs are being outsourced.

The greatest part of the wealth of the United States is owned by the capitalists, and it is growing greater every day. That wealth was created by workers. But not just by the working class in this country. The final production processes and the performance of services that take place here are links in an unending, intricate chain of labor performed by the working class of the world. This chain of labor abroad has contributed in untold ways to the provision, shaping and transporting of the materials used to create the wealth and standard of living in the United States—as much as the workers in this country, if not more. Before anyone can do their job on a production line in Detroit, in an office building on Wall Street, or in a laboratory at MIT—or even attend a university in Boston—the basis for it was in large part created by millions of workers the world over who were exploited by some boss.

### **What made ‘new’ globalization possible**

In addition, it must be stated that the latest phase in the expansion of world capitalism, what has been dubbed “globalization” and is driven by imperialist investment, has been made possible by global advances in the educational and technical levels of large sections of the formerly oppressed and colonized peoples. But these gains came largely as a result of the socialist revolutions, national liberation movements, and anti-colonialist victories of the past century.

For example, the Bolshevik Revolution in Russia lifted up the cultural and technical level of not only the proletariat in the cities but the huge rural population of the tsarist empire, particularly in the subject nations. It brought schools and literacy in many languages to peasants just one generation away from serfdom and to small nations that were still nomadic or hunted in the vast forests of Siberia.

The Chinese Revolution, which liberated one fourth of the human race from imperialism, brought education to the countryside in a land where literacy had been restricted for centuries to the Confucian bureaucracy. That revolution laid the basis for the educational strides of present-day China; without it the present-day economic advances would not have been possible. People’s China, the USSR, the German Democratic Republic, and the Czechoslovak People’s Republic, among other socialist countries, set up programs to educate and train people from newly liberated or newly independent countries, as well as cadre from national liberation movements fighting imperialism.

After mass pressure brought an end to centuries-long British economic and colonial domination in India, the post-independence bourgeois nationalist regime of Jawaharlal Nehru set up the country's first university system.

Why do Taiwan and south Korea, two of the so-called Asian Tigers, today occupy such a prominent position in the world economy? Because both were built up by U.S. imperialism—Taiwan in order to oppose the socialism of the People's Republic of China, south Korea as a bulwark against the Democratic People's Republic of Korea in the north. In Vietnam, it was the revolution that put an end to the status of the country as basically a rubber plantation for French imperialism. The revolution, including the final victory over U.S. neocolonial war and occupation, allowed Vietnam to become a forward-looking country focused on national development.

All the countries that are now providing skilled and semi-skilled labor power to the expanding empire of finance capital, including Singapore, Malaysia, Thailand, Indonesia, and all the new offshore subordinates of the giant multinational corporations, were once kept in a state of enforced mass illiteracy in order to use them as colonial labor on the plantations and in the mines.

Ironically, the entire present-day advancement of global capitalism is only possible because of the previous struggles of the oppressed peoples of the world for the right to knowledge, struggles that were waged against the very imperialist powers that are now penetrating their countries with advanced capitalist processes with the sole aim of widening and deepening exploitation.

The propagandists for globalization constantly rub their hands with glee over the masses of educated workers who just “happen” to be available, without explaining that this is because the masses fought against the imperialist powers to gain the right to enter the modern world. The truth is that no matter how much scientific and technical knowledge has become accessible through the Internet, no matter how eager the imperialists are to spread their productive processes and service industries to low-wage countries, none of this could be happening were it not for the previous victories in the anti-imperialist struggles by the oppressed and the world working class. That is what prepared the former colonies to enter the modern technological stage.

Nor do the worshippers of “globalization” explain the class basis for the technological advancement in the centers of imperialism. Wealth stolen over generations from the oppressed countries created the support for the universities, the scientific elite in the Stanfords and MITs, and the laboratories of the multinational corporations where the technology was created. In addition, an incalculable contribution was made through the brain drain from the former colonial countries. Hundreds of thousands of special visas were given to professionals from India and China, for example. They contributed to the new technology while working at below-par salaries in Silicon Valley, Route 195 around Boston, and the technological “triangle” in North Carolina, just to name the main centers. This not only boosted science and technology in the centers of imperialism but also further underdeveloped the countries from which this specialized labor was lured.

### **Global expansion conceals crisis of overproduction**

Those who think capitalism has somehow entered a new era that frees it from its fundamental contradictions and the prospect of crises are deluding themselves. The all-around expansion of the new, streamlined system of global exploitation, which rapidly progressed in the wake of the collapse of the Soviet Union, has temporarily relieved the general crisis of overproduction endemic to the capitalist system. (It is no accident that the nine-year boom that followed the USSR's collapse was the longest in U.S. history.) The expansion has masked this profound, unavoidable contradiction.

Under the capitalist system, no matter how wide the scope of its operation, production is driven forward by leaps and bounds under the impact of competition for profits. The bosses look for new, more productive technology and economies of scale to cut their labor costs, and this leads to ever-expanding production, which outpaces the slow development of the consumer power of society. The workers and peasants of the world number in the billions. It is their wages and revenues that overwhelmingly determine the

consuming power of society. The consuming power of the tiny minority of the rich and the upper middle class, no matter how extravagant, is a small part of the overall consumption of society.

No matter how many times bourgeois ideologists declare Marxism to be obsolete, no matter how many times bourgeois economists declare that capitalism has entered a new era, they cannot change this law of capitalism—namely, that production must eventually outstrip consumption and that this contradiction cannot but end up in a crisis of overproduction. This is the inevitable result of the profit system.

So long as the accumulation of surplus value is the aim of all economic activity, so long as the distribution (sale) of the huge quantities of the means of life—food, clothing, housing, social services, and other elements of everyday need—to the broad masses of people depends on the ability of the bosses to sell them at a profit, then shutdowns, layoffs, slashing of wages, mass unemployment, and suffering and hardship on a mass scale are inevitable. Globalizing capitalism cannot change this one iota. It can only delay the appearance of this crisis, and will expand its scope and depth when the crisis does come. This is something bourgeois economists do not want to openly contemplate, but something that the working class needs to understand.

Today the new division of labor within the workplace has made possible a new worldwide social division of labor. And while the giant corporations are reaping super-profits from the initial stages of this process, they are also multiplying their own gravediggers—the world working class.

# The Process of Globalization

## **Imperialist economic expansion: from China's "open door" to the collapse of the USSR**

The decisive event in the rapid expansion of the power of imperialist capital over the workers and the oppressed of the world is certainly the fall of the Soviet Union and Eastern Europe. Prior to their collapse, world imperialism's political control over the geography and economic spheres of exploitation in the world had been contracting for 74 years, since the Russian Revolution of 1917.

With the seizure of power by the Bolsheviks, one sixth of the globe had been lost to capitalism. In the period after World War II, socialism spread to Korea and Eastern Europe. One fourth of the human race was added with the Chinese Revolution in 1949, followed by Vietnam, Cuba, Cambodia, Laos, Angola, Mozambique, Guinea-Bissau, Ethiopia, and Yemen. Imperialism was being challenged from Nicaragua to El Salvador to Palestine. The revolutions in Iraq and later Iran freed those countries from the grip of the oil companies.

In addition to the expansion of socialism as well as the national liberation struggles, the various bourgeois nationalist regimes seeking to sustain political independence and to reduce their vulnerability to economic penetration by transnational corporations and banks were able to lean on the socialist camp for support to counteract the overbearing influence of the imperialist camp.

The world became divided into two class camps: the socialist camp allied with the formerly colonial countries versus the imperialist camp and its puppets, clients, and agents around the world. However, with the collapse of the USSR imperialism reversed the historic trend of its contraction and began a rapid expansion not seen since the "scramble for Africa" at the end of the 19th century.

Not only did the transnational corporations and banks, operating through the IMF, the World Bank, and other agencies, gain access to the former Soviet republics and Eastern Europe, but the removal of the economic and political force of the socialist camp as one able to retard the advance of the corporate ruling class into the so-called Third World paved the way for an escalation of the neo-liberalist offensive.

Among the more profound effects of the collapse was the strengthening of those elements in the People's Republic of China that were moving in the direction of relying on capitalism to build up the productive forces. There was also a major shift of the Indian ruling class away from a neutralist foreign policy and a state capitalist economic policy that had been designed to limit the influence of the transnationals. In 1991 India moved toward Washington, opening up to the IMF and to expanded foreign investment.

Thus, in the short span between the early 1980s, when the PRC carried out a controlled but expanded opening up to imperialist foreign capital, and 1991, when the Berlin Wall had fallen, the capitalist counterrevolution had triumphed in the USSR, Eastern Europe had collapsed, and the Indian ruling class opened wide to foreign investment, the imperialist ruling classes in the U.S., Europe, and Japan struck it rich. To put it plainly, their sphere of exploitation grew during this period by leaps and bounds.

The rapidity and magnitude of this growth is unprecedented in history. It has had profound effects on the working classes of the world. Precisely for that reason, the corporations have sought to downplay this development publicly, while furiously racing to take advantage of it to pile up profits.

Their mouthpieces in the mass media are trying to minimize the damage and hide it not only from the workers but from the general public as much as possible. Announcements of layoffs or cutbacks in health care and pensions or wage reductions at various companies are for the most part either ignored or, when they do make the news, treated routinely as items of the day. When the layoffs or cutbacks are too large

and too critical to overlook, such as the layoffs in auto or the airlines, the media adopt a mournful tone and give sympathetic interviews to some of the victims. The bosses' line is then regurgitated about how layoffs are the inevitable and unavoidable result of the need to stay "competitive." Then the news abruptly moves on to the next thing.

The fate of hundreds, thousands or tens of thousands of workers and their families hit by the layoffs and left staring disaster in the face sinks out of the reporters' line of sight. The bosses are let off the hook. Meanwhile, nothing is done and the media are silent until the next outrage is announced and there follows a renewed cycle of hypocritical sympathy, absolution of the bosses, and again silence.

Real discussions take place in business publications, think tanks, and the academic world. But even there, the discussions are carried out in a most cautious fashion and it is difficult even for experts to unearth the real extent of developments.

Behind the scenes various bourgeois researchers are quietly trying to gauge the extent and potential impact of this explosive expansion of both labor and capital. Their explorations are driven by fear of the economic, social, and political effects of this potentially earthshaking development.

### **Imperialism's exploitable global work force doubles**

One attempt that is widely known, not among workers but among those of the elite who concern themselves with the question of globalization, comes from Richard B. Freeman, an economics professor at Harvard University who is also associated with the National Bureau of Economic Research and the London School of Economics. In November 2006 Freeman made a presentation to the International Public Policy Institute entitled "Doubling the Global Work Force." He based his presentation on two ambitious studies, the first by the UN's International Labor Organization (ILO) and the second by the Center for International Comparisons (CIC) at the University of Pennsylvania.

Freeman is a liberal who, among other things, concerns himself with the labor movement and economic issues involving youth. He gave population figures to dramatize the global expansion of the sway of the advanced capitalist (imperialist) countries during the recent period—an expansion of which he fully approves.

He cites what he calls the "One Big Fact": From 1985 to 2000, the population of the "global economic world"—that is, those fully within the grasp of the world capitalist market—grew from 2.5 billion to 6 billion people.<sup>6</sup>

And what happened in this period? The opening up of China to foreign capital, the collapse of the USSR, and the consequent ending of what he calls "autarky" by the Indian bourgeoisie—that is, the full-scale surrender of Indian economic sovereignty in 1991 to the IMF and the penetration of foreign investment.

Aside from general population figures, most significant from a class point of view is that, according to the ILO study, the world working class newly available for exploitation by the imperialist transnational corporations in the year 2000 increased by 1.47 billion because of the inclusion of China, India, the former Soviet Union, and Eastern Europe. With just 1.46 billion already in the rest of the world labor force (ILO), the opening up of these three regions doubled the size of the world working class potentially available to compete on the world labor market to become wages slaves for imperialist export capital or its agents. The ILO's global labor figure for the year 2000 is 2.93 billion.<sup>7</sup>

The figures from the University of Pennsylvania are comparable. The Penn World Tables (PWT), published by the CIC, give the same figure—2.93 billion—for the total world working class, dubbed the "economically active population." But, according to the PWT, China, India, and the former Soviet-bloc countries had added 1.383 billion workers to the pool by the year 2000.<sup>8</sup>

Of course, the figures given in both studies are completely crude estimates. Both studies say as much. Furthermore, the lumping together of the three regions without regard to their political and class differences requires numerous qualifications.

China had a socialist revolution and has allowed an excessive and dangerous growth of capitalism, but it still maintains broad controls over what imperialist corporations can and cannot do. The Russian bourgeoisie, by contrast, opened up wide to unrestricted capitalist investment and then began to pull back. The Eastern European countries have become satellites of Western capital. And the Indian government has been capitalist from birth but, while it was always somewhat penetrated by imperialist capital, for many years it allied itself with the USSR from which it received aid. Until 1991, it exercised a considerable amount of state control over the flow of foreign capital.

In addition, Freeman underestimates the real expansion of the sway of imperialism by failing to take into account that the working classes and peasants of most of Latin America, Africa, and other parts of the underdeveloped world were subjected to intensified plunder as a result of the collapse of the USSR and Eastern Europe. The gradual neo-liberalist offensive of the IMF and the World Bank accelerated during the 1990s. For example, NAFTA, which went into effect in January 1994, subjected the workers and peasants of Mexico (population over 100 million) to a wave of capital investment and super-exploitation from U.S. corporations.

Freeman, the ILO, and the CIC are struggling to portray the general order of magnitude of the drastic increase in the numbers of workers and peasants available to imperialist capital. They try not only to see the numbers of toilers but also to analyze the growth of skilled, semi-skilled, and technically educated workers around the world. Such research has undoubtedly been undertaken on behalf of, or for the benefit of, financial and government officials or the upper echelons of bourgeois academia, who are well aware that this new world relationship of capital and labor has the potential for destabilizing the entire capitalist system.

All these regions of the world suffer from high unemployment and underemployment as well as poverty. The reinstatement of capitalism in the former USSR and Eastern Europe has drastically increased unemployment and reduced the standard of living of the masses. China is still struggling with the legacy of underdevelopment inherited from feudalism and colonialism. India has small islands of wealth amidst a sea of rural and urban poverty and unemployment. From Indonesia to Brazil, from Mexico to Thailand to South Africa, there exists a vast reserve population being drawn into the world proletariat.

Thomas Friedman, *New York Times* columnist, author and millionaire enthusiast of capitalism who has been thrilled by the prospects of globalization, waxed enthusiastic in his recent book, *The World Is Flat*, about how “the people of China, India, Russia, Eastern Europe, Latin America and Central Asia” whose “economies and political systems opened up during the course of the 1990s” were “increasingly free to join the free-market game.”<sup>9</sup>

Friedman’s book spends much time gushing about the new age of globalization, what he calls Globalization 3.0, which is allegedly characterized by the “newfound power for individuals to collaborate and compete globally.”<sup>10</sup> Commenting on the Freeman report, Friedman says, “As a result of this widening, another roughly 1.5 billion new workers entered the global economic labor force....”

Friedman has a particular focus on the so-called professional section of the working class: service, engineering, and research. He virtually drools over the prospect of a new global competition within this sector of workers. If one-tenth of these workers “have the education and connectivity” to compete in the upper level job market, “that is equivalent to the entire size of the 150 million-strong U.S. labor force,” he says. And he quotes Craig Barrett, the chairperson of Intel, on the significance of opening up India, China, and Russia: “You don’t bring three billion people into the world [capitalist—ed.] economy overnight without huge consequences, especially from three societies with rich educational heritages.” Of course, the “consequences” they both are looking forward to are the depression of wages.

Prior to the ILO and WPT studies, Alan Tonelson, a research fellow for the U.S. Business and Industrial Council (USBIC), speculated in 2002 in his book *The Race to the Bottom*<sup>11</sup> about “the continuing, unprecedented surge in the number of workers around the world available to U.S. business.” He described this as a significant factor in “globalization’s corrosive impact on U.S. living standards.”

Without the benefit of any overall studies, Tonelson made an attempt to show the scope of the expansion of the labor exploitable by globalizing monopolies or, as he says, “how the world’s economic labor supply began to explode”:

“The actual numbers involved are staggering. At present, seven countries with populations of 100 million or greater (as of mid 1999) are rapidly entering world markets—China (1.25 billion), India (987 million), Indonesia (212 million), Brazil (168 million), Russia (147 million), Bangladesh (126 million), and Mexico (100 million). The former Communist countries of Eastern Europe—excluding the former Yugoslav republics—and the former Soviet republics represent two more roughly 100-million regions joining the global economy. Right behind them in size are Vietnam (80 million), the Philippines (75 million), and Turkey (66 million).”<sup>12</sup>

Earlier, Tonelson said, “Until roughly 1980, the flow of workers into the international trading system was relatively gradual, and *the wage and employment effects of much industrialization were mainly national, not global.*”<sup>13</sup> (emphasis added)

Tonelson writes for various publications and testifies before congressional committees on trade. He uses arguments about protecting manufacturing workers in order to bolster the arguments for protecting small U.S. manufacturers, because the USBIC is an association of small businesses, mostly manufacturers who are being undermined by the offshoring policies of the monopolies. They have allied at times with the official labor movement to promote bourgeois protectionism and stand for the exploitation of U.S. workers at “decent wages.” Hence, Tonelson’s concern for jobs and wages. Nevertheless, his findings contain information that can be useful to the workers.

Thomas Palley, assistant director of public policy at the AFL-CIO, alludes to the potential crisis for the working class posed by these new developments. While too much of his writing reflects the labor leadership’s chauvinist anti-China rhetoric, he nevertheless also sees the broader picture: “Much attention has been devoted to adverse impacts of the U.S. trade deficit, particularly with China.... However, no one in Washington is talking about the deeper question of what happens to wages when two billion people from low-wage countries join the global labor market.”<sup>14</sup>

Palley added, “Such an event is unprecedented in history.” In the past what he and all bourgeois economists call “integration” of the expanding working class was gradual and, this is a key phrase, “production was largely immobile across countries.”

“Globalization has changed this by accelerating the process of international integration. It has also made capital, technology, and methods of production mobile, marking a watershed with the past.

“... Manufacturing has already been placed in competition across countries, with dire consequences for manufacturing workers. The Internet promises to do the same for previously un-tradable services, and higher-paid knowledge workers will start feeling similar effects.

“Not since the industrial revolution has there been a transformation of this magnitude, and that revolution took one hundred and fifty years to complete. By comparison the new revolution is only twenty-five years old. These developments have a significance that goes far beyond the currency manipulation and WTO rules violations.... *There is no reason to think that the end is in sight, and American workers can look forward to the international economy exerting downward pressure on wages and work conditions for the next several decades.*” (emphasis added)

Ben Bernanke, the principal manager of U.S. finance capital as the chairperson of the Federal Reserve Board following Alan Greenspan, dealt with the same phenomenon in a surprise speech at a central bankers’ retreat at Jackson Hole, Wyoming, in August 2006.<sup>15</sup>

Bernanke gave his quick survey of globalization, beginning with the Roman Empire, continuing through Christopher Columbus and the post-Napoleonic era up until today. After going over what he considered to be similar threads running through the ages, he zeroed in on what he saw as new elements.

Among the factors he cited were “the emergence of China, India, and the former communist-bloc countries implies that the greater part of the earth’s population is now engaged, at least potentially, in the

global economy. There are no historical antecedents for this development.” Columbus’s voyage, by comparison, led to vast economic changes, but those changes took centuries. By contrast, the imperialists got an opening to China less than three decades ago.

Furthermore, Bernanke notes, “the traditional distinction between core and periphery is becoming increasingly less relevant, as mature industrial economies and emerging market economies become more integrated and interdependent. Notably, the nineteenth-century pattern, in which the core exported manufactures to the periphery in exchange for commodities, no longer holds, as an increasing share of world manufacturing capacity is now found in emerging markets.” (emphasis added)

Bernanke also stressed how “production processes are becoming geographically fragmented to an unprecedented degree. Rather than producing goods in a single process in a single location, firms are increasingly breaking the production process into discrete steps and performing each step in whatever location allows them to minimize costs. For example, the U.S. chip producer AMD locates most of its research and development in California; produces in Texas, Germany, and Japan; does final processing and testing in Thailand, Singapore, Malaysia, and China; and then sells in markets around the globe.”

Finally, Bernanke speaks of the enormously disproportionate flow of foreign investment and how international investors hold “an array of debt instruments, equities, and derivatives, including claims on a broad range of sectors.”

In a low-key, understated way, which speaks volumes to his banker audience, he says that the ruling class cannot take the present situation for granted: “[A]s in the past, the social and political opposition to openness can be strong. Although that opposition has many sources, I have suggested that much of it arises because changes in the patterns of production are likely to threaten the livelihoods of some workers and the profits of some firms, even when these changes lead to greater productivity and output overall.”

So, experts from bourgeois academia, the top echelons of the labor movement, small business, and the central banker of U.S. finance capital, all from their own points of view, have zeroed in on the change in the condition of the economy of world imperialism in the post-Soviet era. They all view these changes with different shades of trepidation.

What emerges from this cross section of views, either explicitly or by implication, is that:

- The world working class that is available for imperialist capital to exploit has taken a quantum leap of unprecedented, historic proportions—not just in China, India, and the former Soviet Union and Eastern Europe, but well beyond.
- This expansion has been in low-wage regions of the globe—i.e., regions that have been historically colonized or dominated by colonialism and imperialism and are still living at various stages of underdevelopment as a result of that legacy, whether those countries are socialist or capitalist, semi-independent or totally dependent neo-colonies.
- Low-wage workers from these regions are increasingly being brought under the domination of imperialist monopoly capitalism, dubbed by bourgeois commentators as “the global economy,” whose ownership and/or control is centered in the U.S. (and other imperialist countries) and is in the hands of the giant monopolies.
- The scientific-technological revolution has enabled the giant corporations with global reach and huge reserves of capital to restructure production and services, to “segment” them, in the words of Bernanke. This means that the bosses can spread out production internationally and pay much lower wages to workers in manufacturing and services abroad than they would pay for the same work at home.
- Because of the creation of so-called global production chains, offshoring of services, and immigration—the migration of low-wage, oppressed workers, which is an integral part of the “globalization” process—wages in any particular country are no longer determined primarily by a nation-

al standard but, to an increasing degree, are determined internationally. (We will say more on this and the Marxist labor theory of value later on.)

Thus, it is not just the numerical growth of this reserve army that constitutes the potential for crisis and struggle. It is the fact that the doubling of the reserve army of workers subject to exploitation by imperialist finance capital has taken place simultaneously with the breakdown of the old world social division of labor and the evolution of a new global arrangement.

### **The new international division of labor**

The international division of labor that existed under imperialism until the latter part of the twentieth century confined the workers and peasants of the oppressed countries overwhelmingly to mining, production of export crops, and carrying out the hard labor that went into building and maintaining the infrastructure required for extraction and transport of all raw material and agricultural commodities to the imperialist centers.

But in 2004 the developing countries' share in world merchandise trade rose to 31 percent of the total; of that trade, more than 70 percent was in manufactured goods.<sup>16</sup> This amounted to slightly under \$2 trillion out of \$8.9 trillion worldwide.<sup>17</sup>

The new, developing division of labor certainly does not eliminate the plunder of the raw materials, natural resources, and agriculture of the oppressed countries. On the contrary, it expands the corporate search for natural resources of all kinds as the industrial processes expand and grow more sophisticated.

But the capitalist restructuring of the economy has also made it possible to draw the surplus workers in the underdeveloped regions into the most advanced manufacturing and service processes in direct competition with workers in the imperialist countries. This is a competition that was impossible under the old division of labor and the previous technological level.

The bosses have used offshoring, outsourcing, and the super-exploitation of immigrant labor with all its accompanying racism to intensify the exploitation of this new, expanded global labor supply. They have used every technological weapon at their disposal to restructure world capitalist production and services in order to ensnare more and more layers of workers over wider and wider territories into an ever-extending global chain of exploitation and wage competition. This ruthless campaign has the benign, non-class designation of "globalization."

In the United States the bosses have played a double game. On the one hand, they have used the opportunity to whittle away piecemeal the rights and living conditions of the workers at home—industry by industry, factory by factory, and office by office. On the other hand, for fear of provoking a rebellion, they have carefully tried to conceal the fact that they are engaged in a general, all-out offensive against the working class and the oppressed.

### **The corporate design for worldwide wage competition**

[The] current globalization policies have plunged the great majority of U.S. workers into a great worldwide race to the bottom, into a no-win scramble for work and livelihoods with hundreds of millions of their already impoverished counterparts across the globe.<sup>18</sup>

In the process of striving after profits, the capitalist class, as Marx pointed out in the Communist Manifesto, "constantly revolutionizes the means of production." Indeed, since the dawn of capitalism the driving force of every technical and organizational advance in the process of production, communication, transportation, and commerce has been not for the betterment of humankind, or for the creation of wealth for society in general, but for an increase in the profits of the class of capitalists.

With all its lofty and breathtaking achievements, whether putting a billion transistors on a microchip or performing long-distance surgery by computer-operated robot, the current scientific-technological revolution and the consequent reorganization of global capitalism, which is in the hands of the capitalist class, is powered by one motive every step along the way: advancing and intensifying the exploitation of labor, speeding up the plunder of the world's resources with the aim of increasing profits.

Authoritative figures who have studied the new phase of imperialist economic expansion and reorganization have independently come to a common conclusion and have stated more bluntly what Bernanke expressed in vague language.

Barry Lynn, a business journalist, consultant to various capitalist governments, and a senior fellow at the prestigious business think tank, the New America Foundation, referred to the debate in the establishment about “outsourcing” in his book *End of the Line*. After criticizing mainstream economists for being oblivious to the fate of U.S. workers, he wrote:

For anyone listening to this debate, the prime lesson from outsourcing would seem clear enough. It is that Americans must now compete for their jobs to a degree we never had to before, with people in Guangdong, in Karnataka, in Kuala Lumpur. And if we look honestly at outsourcing, we will see that it does tend naturally, to some degree intentionally, to set workers into more intense competition with one another, not only across borders but often right here at home within the borders of the United States.

In a study calculated to warn the government and the ruling class that the giant monopolies are running wild and creating a fragile system of “interdependence,” Lynn says that

[T]he global communications and transportation revolution has in the past few years enabled companies to hire suppliers located not simply on the far side of town or the far side of America but on the far side of the earth. And inspired by ‘just-in-time’ production strategies, these companies have often linked these scattered operations together far more efficiently than was true even when they were all within the walls of a vertically integrated factory of yore.... They were designing a system that set American workers more and more into competition against one another and with workers overseas....<sup>19</sup>

Suzanne Berger, the team leader of a major research study by the MIT Industrial Performance Center of the competitive business practices of 500 corporations around the world, introduced Lynn’s study by noting:

The deep reserves of unskilled and skilled labor of emerging economies have now become available for hire to producers from high-wage countries. Over the past twenty years, countries on the periphery of the advanced industrial world have educated large numbers of semiskilled and skilled workers, technicians and engineers, making it possible to carry out sophisticated manufacturing processes like semiconductor fabrication just about anywhere. For example, two new semiconductor-fabrication plants (frequently referred to as ‘fabs’), Semiconductor Manufacturing International Corporation (SMIC) and Grace, with near cutting-edge capabilities, were opened in China in 2001 by Taiwanese engineers operating with foreign capital and American and Japanese technology.

Today, manufacturing and services can be handed off from Western countries to workers and technicians in India, China, Romania, and elsewhere with *wages that may be as low as a tenth of the wage* in the more advanced country. Europeans shift production from high-wage plants in Germany and France into low-cost sites in Romania, Hungary, or Poland and reimport the goods made there back into the European Union without any tariff duties; Americans can do the same thing with goods that are processed in Mexico or the Caribbean. Software and telecom companies with a scarcity of educated workers who will work for low wages at home can open facilities in places like Bangalore, India. The global market makes it possible for firms to access resources like manufacturing, a low-cost, semiskilled workforce, skilled technicians, and innovation around the world and to incorporate them in the home company in new ways.<sup>20</sup> (emphasis added)

Tonelson cites the massive imbalance between the world’s unemployed and the available jobs.

These global labor surpluses undermine American wages in two principal ways. First, the bleak economic prospects of many emerging market workers have led millions to emigrate to their more prosperous third world neighbors or to industrialized countries like the United States. In the latter case, by artificially increasing the U.S. labor supply, these movements give U.S. employers the same options as their foreign counterparts of restraining wages—and not only for the unskilled and uneducated.

Second, the worldwide reach of U.S. multinational corporations also greatly expands the pool of workers potentially available to U.S. business. These companies perform much of their production abroad, either through affiliates they own in whole or in part, or through independent foreign subcontractors. As a result, many have foreign workforces that have long been significant percentages of their domestic workforces. In addition, multinationals can easily choose among either U.S. or foreign subcontractors in the numerous industries that supply them, thereby sending downward wage pressure rippling far into the U.S. economy.<sup>21</sup>

Finally, it is worth quoting Friedman, the most celebrated (by the ruling class) journalistic phrasemaker and cheerleader for imperialist globalization who unashamedly boasted, “There is almost nothing about Globalization 3.0 that is not good for capital. Capitalists can sit back, buy up any innovation, and then hire the best, cheapest labor input from anywhere in the world to research it, develop it, produce, and distribute it.... All things related to capital do fine.”

Workers and communities, however, “will feel the pain.”<sup>22</sup>

### **Marx on wages and competition**

This brutal effort to set up global wage competition has profound implications for the class struggle. In this connection it is worthwhile recalling one of the most famous passages in *The Communist Manifesto*.

In the final paragraph of the first section of the *Manifesto*, Marx concludes:

The essential condition for the existence, and for the sway of the bourgeois class, is the formation and augmentation of capital; the condition for capital is wage labor. Wage-labor rests *exclusively on competition between the laborers*. The advance of industry, whose involuntary promoter is the bourgeoisie, replaces the isolation of the laborers, due to competition, by their revolutionary combination due to association. The development of modern industry, therefore, cuts from under its feet the very foundation on which the bourgeoisie produces and appropriates products. What the bourgeoisie therefore produces, above all, are its own grave-diggers. Its fall and the victory of the proletariat are equally inevitable.

The present phase of world capitalist development encompasses both processes described in the passage. As the involuntary (but eager) promoter of a new global structure of production, the ruling class is creating a newly expanded international working class, which will be compelled to struggle against not only its own growing local exploiters but transnational corporate masters.

On the other hand the giant monopolies, as they expand everywhere, are feverishly trying to set up a wage competition between the higher paid workers in the imperialist countries and the growing working class in the low-wage countries, as well as between workers at different wage levels in the low-wage countries themselves. In doing so they are gradually but relentlessly cutting the ground out from under capitalist stability. For as this process proceeds and deepens, it is changing the structure of the working class in the imperialist countries. It will eventually confront the workers with their true condition as wage slaves, whose only salvation is to unite against the bosses, not only on a national basis, but on an international basis.

At the moment, the working class in the imperialist countries, in the United States especially, is on the defensive. Nevertheless, the law of the value of labor power is operating to eventually arouse their struggle instincts, to evoke their natural tendency to combat the bosses—a tendency that has been shown in the past but which has been choked off since the 1930s and suppressed by all institutions of capitalist society—not the least of which is the labor bureaucracy.

Marx analyzed in *Capital*, Volume I, the true nature of wages in his explanation of the “buying and selling of labor power.”<sup>23</sup>

Wages are the purchase price paid by the capitalists for the labor power of workers. And that price was equal to what it took to keep the workers and their families alive—i.e., to be able to go to work in conditions healthy enough to perform their labor for the capitalists and to be able to return to work repeatedly during the most productive years of their lives to serve as exploitable labor—so long as the bosses needed them. But not only did they have to remain fit for work, they had to produce the next generation of workers for future exploitation. The price that the capitalists had to pay for the sum total of this was the value of labor power, called wages.

But Marx also explained that every country had its historically determined level of what was considered the necessary means of subsistence for the workers.<sup>24</sup>

It depended on the degree of comfort to which the working class and society in general were accustomed, based on the degree of economic development of the country and the class struggle within that country. In what we today would call a country with a legacy of oppression, the masses were forced to accept less

and in a more privileged country the masses were accustomed to more, particularly where the labor unions were strong. In each case, accordingly, the bosses would pay less or more based upon national conditions.

The revolution in technology and the globalization of capitalist production and services is eroding the national determination of wages. The wage level of the working class in the imperialist countries, under pressure of the global competition set up by the giant monopolies, is being increasingly determined internationally and under the downward pressure of the wage level in the low-wage countries. From the point of view of the bosses, a worker in Detroit with health care, a pension, vacation and a living wage is overpriced, given the world labor market. Stating it from a Marxist point of view, the boss views wages paid that worker to be above the socially necessary value of labor power. The value of labor power, as far as General Motors, IBM, or General Electric are concerned should be closer to the wages in China, Mexico, or the Philippines than in Detroit, New York, or Chicago. And the bosses will continue to push in this direction until the workers stop them.

To the bosses the workers in the United States are getting wages above the international norm, as computed by the corporate planners of global economic empires. In a word, Marx's labor law of value and its corollary, the law of maximization of profits, is the driving force of the new phase of globalization.

Marx long ago explained that it is the development of the productive forces that creates new classes and destroys outmoded ones, but also that under capitalism, which is compelled to constantly revolutionize the means of production, the character and relationships of existing classes constantly undergo transformation. The transformation of the world working class is underway in the post-Soviet era and it is moving in a direction that must end up in a momentous reawakening and an upsurge of the class struggle.

### **The new global networks of exploitation**

In the past ten to fifteen years the giant monopolies of the U.S., Europe, and Japan have been systematically adapting, as well as promoting, the major technological advances of the period to reorganize their world production processes and, more recently, services, so as to streamline and accelerate the process of global capitalist exploitation and super-exploitation.

In stages they have developed and utilized the technology to increasingly segment the labor process and relocate its various segments to low-wage areas around the globe, including in their own countries, and they have constructed vast, interconnected, worldwide networks of wage slavery, dominated by corporate giants. This latest evolution of world capitalism is calculated to incorporate the newly available global workforce into the process of capitalist exploitation.

This segmented labor process is referred to by bourgeois economists and officials variously as "production chains," "production networks," "value chains," etc. And, like Bernanke and others, they describe their economic expansion into India, China, the former USSR, Eastern Europe, and elsewhere as a process of "global integration." But in fact this benign terminology is meant to conceal and prettify the brutal class essence of this process, which is not "integration" but *subjugation* of hundreds of millions of workers into chains or *networks of exploitation and super-exploitation*, an expansion of the enslavement of wage labor by finance capital.

#### **DELL: 'COLLABORATION OF INDIVIDUALS' OR GLOBAL REGIMENTATION OF WORKERS?**

A textbook description of this restructuring, written from the capitalist point of view, is provided in a section of Thomas Friedman's book *The World Is Flat*, which has become a bible for the bourgeoisie.

Friedman was so enamored of the age of the "collaboration of individuals," as he puts it, that he went to the Dell management center in Austin, Texas, before he wrote his book to research the process by which the Dell computer on which he was going to write the book was made. Dell at the time sold about 140,000 to 150,000 computers a day and was the largest maker of personal computers in the world. It has recently been surpassed by Hewlett-Packard.

Some of the highlights of the detailed information he presented are as follows:

Once his order was placed by phone it went to Penang, Malaysia, one of the six Dell factories in the world ( the others are in Limerick, Ireland; Xiamen, China; Eldorado do Sul, Brazil; Nashville, Tenn., and Austin, Texas). Surrounding every Dell factory are numerous parts supply centers, called Supplier Logistic Centers (SLCs), owned by different suppliers. They are like staging areas. “If you are a Dell supplier anywhere in the world, your job is to keep your SLC full of your specific parts so they can constantly be trucked over to the Dell factory for just-in-time manufacturing.”<sup>25</sup>

Dell Malaysia sends an e-mail every two hours to its SLC telling it what parts it wants within exactly the next ninety minutes. Trucks from the SLCs pull up, a bar code for each part is recorded, and the parts are loaded into bins for assembly. It was not possible to tell precisely where the parts for Friedman’s notebook came from without taking it apart. But even an account of the various possibilities is revealing.

The Intel processor came from an Intel factory located in the Philippines, Costa Rica, Malaysia, or China. The memory came from locally owned factories in south Korea, Taiwan, Germany, or Japan. The graphics card could have come from a Taiwanese-owned factory in China, the motherboard from a Korean-owned factory in Shanghai, and the hard disk from a Japanese-owned factory in Indonesia or Malaysia, and so on.

Each component, including the modem, the battery, the LCD, the power cord, the memory stick, the carrying bag, etc., could have been made at any one of multiple suppliers throughout the region, including Thailand, Indonesia, or Singapore. Dell makes sure that it has a stable of suppliers on hand to compete with each other and have parts available at all times. It is the suppliers that must keep the inventory on hand in order to keep Dell’s business.

With breathless wonder Friedman recounts how the parts were picked and screwed together, the software was downloaded, the computer was boxed and coded, specially placed on a pallet for transportation, and put on a nightly chartered Dell 747, along with 25,000 other notebooks, total weight a quarter of a million pounds, to land at the Dell airport in Nashville the next day, where it was put in a larger box and shipped by UPS to Bethesda, Md. Under optimal conditions it would take four days from placing the telephoned order to delivery.

The total “supply chain” for this computer, including suppliers of suppliers, came to about four hundred companies in North America, Europe, and Asia, mostly the latter, with about thirty prime suppliers.

Friedman, true to character, thinks only of suppliers, companies, parts, and logistics. While he did inquire about the names of the workers who took his order and helped create his computer, this had nothing to do with any concern for the workers themselves. He never asked about or described the conditions of labor, the wages, hours, job security, health benefits, vacation, safety, or union status of the workers, who actually constitute the living supply chain, the living labor that makes it all happen—even if it is orchestrated by Dell and managed by the supply companies. Friedman’s interest in the names of particular workers arose because he was dazzled, as any boss would be, by the information-gathering, i.e., overseeing capability of Dell’s workflow software, which can track every worker from Texas to Singapore to Brazil. Other than that, the workers in this Asia-wide regional production do not rate a mention.

Barry Lynn, on the other hand, who gives a more summarized overview of Dell’s operations, at least includes the workers in his description and gives a sense of Dell’s empire.

Lynn describes the Dell facilities in Austin and Nashville as “storefronts” that conceal an assembly line stretching more than ten thousand miles.

“Dell in the 1990s was one of the first manufacturers to come of age in a world fully familiar with Toyota’s just-in-time production system, very much at ease with the idea of employing workers and engineers and managers in many nations in a single common effort, fully able to take advantage of the highly advanced logistics services managed by others. Blended together, the result was that Dell learned how to coordinate manufacturing done in its name by hundreds or even thousands of companies around the world, thereby commanding the labor of tens of thousands if not hundreds of thousands of workers, and then choreographed the overall operation as neatly as if it were all happening under one roof.”<sup>26</sup>

Trucks line up outside the Dell assembly plants to insure the steady flow of parts from all around the world, which, in turn, insures the steady process of production and exploitation. The workers in the assembly plants screw, bolt or snap together the parts and download the software, and one person can do it in about four and a half minutes.<sup>27</sup>

### **TOYOTA THE PIONEER**

Lynn's reference to Toyota involves the Japanese auto giant's pioneering of the system of organizing a vast network of suppliers owned by outside companies but linked to the so-called "lead firm." This network organizes the capital, including the workers, and has to meet Toyota's short-term demand for components and subassemblies. Toyota's main suppliers are clustered around its assembly plants and can order parts as needed so that it does not have to invest in large inventories and can supply its assembly lines with parts "just on time." If there is a reduction in the sales of a model, the method of just-in-time production enables Toyota to reduce production quickly so as to minimize any loss of profit due to unsold vehicles. Toyota has made numerous innovations, including the reduction of down time for changing dies, aimed at minimizing time lost in which to exploit the workers.

This method was perfected by the 1980s, when the Toyota empire already had 168 first-tier subcontractors, 4,700 second-tier subcontractors, and 31,600 third-tier suppliers.<sup>28</sup> In addition to the Big Three auto companies, numerous corporate giants in the U.S. studied the Toyota model, including General Electric, Westinghouse, and Sam Walton, founder of Wal-Mart.

Unlike Dell, Toyota owned or partially funded some of its major suppliers. But like Dell, it had dozens of suppliers clustered around its assembly plants, which were spread out, mostly throughout Asia. Toyota continued to build networks of "captive suppliers" who were subject to "constant pressure to improve their performance, both through constant comparison with other suppliers and contracts based on falling costs and (therefore) delivery prices."<sup>29</sup> Virtually all the big Japanese monopolies—Toshiba, Matsushita, NEC, Panasonic, Mitsubishi, Sony—all sit on top of tiers of dependent and subordinate suppliers and subcontractors regionally and globally disbursed.

### **HEWLETT-PACKARD**

By the mid 1990s Hewlett-Packard, which recently passed Dell as the world's number one supplier of personal computers, was selling off most of its manufacturing plants and engineering design activities and laying off production workers. "Jobs that were once carried out within HP are now performed by contract manufacturers, mostly in Asia."<sup>30</sup> This was hardly a prelude to the decline of HP. Today HP has 150,000 workers in 178 countries, in addition to the workers who turn out HP computers and printers in the contract manufacturing firms. Using Internet technology (IT) to coordinate its production made HP an expert in its use. Today, boosted by massive, subcontracted low-wage labor, it has become a fifty-billion-dollar global colossus. It is now the largest supplier of electronic consumer technology in the world. But it is also, according to Friedman, the largest IT company in Europe, the largest in Russia, the largest in the Middle East, and the largest in South Africa.<sup>31</sup> It is also getting a stranglehold in India, where it has recently taken over the entire in-house technology operation of the Bank of India in Mumbai. It has three transaction processing centers—in Bangalore, Barcelona, and Guadalajara—and workflow software that allows it to process its billing transactions from 178 countries. HP now derives the majority of its profits from outside the U.S.<sup>32</sup>

### **INTERNATIONAL BUSINESS MACHINES**

In 1996 IBM began shedding its factories and moving production work to contract manufacturing. The degree of reliance on labor from low-wage countries is illustrated by a breakdown of the production of components for the IBM ThinkPad X31. The breakdown is for a model assembled in 2004 by the contract manufacturer Sanmina-SCI, which further subcontracted out the production. Assembly took place in Mexico. The memory and the display screen were made in south Korea; the case, the keyboard, and the hard drive in Thailand; the battery in Malaysia; the graphics controller in Taiwan. The microprocessor

was the only component made in the U.S., by Intel. Other laptops were being assembled in Scotland and Shenzhen, China. There were four thousand workers in the Shenzhen assembly plant representing 40 percent of the IBM PC workforce.

IBM sold its PC unit to the Chinese company Lenovo in December 2004, but it kept 18.9 percent ownership in the company and the two main manufacturing facilities were to be in Shenzhen and Raleigh, North Carolina, a right-to-work, anti-union, low-wage state in the U.S.<sup>33</sup>

### **LIZ CLAIBORNE**

Liz Claiborne is a giant apparel company that did more than four billion dollars in sales in 2004. It owns and markets numerous brand names. Claiborne keeps its high-end designer brands here in the U.S. For example, Lucky jeans, which sell for about one hundred dollars, are designed here. The zippers, denim, and trim are purchased from suppliers. They are sewn and given stonewashed and sanded finish by Latin@ workers in Los Angeles factories owned by south Koreans and supervised by Lucky managers.

But it also makes low-end, mass-marketed Faded Glory jeans, which sold at Wal-Mart for eleven dollars in 2004 and were made in Mexico. In fact, Liz Claiborne had 512 contractors in forty-five different countries in 1995. The strategy of having so many suppliers was based upon fomenting competition among them in order to keep the prices at the absolute minimum. Gradually, Claiborne sifted out the best suppliers and overcame the inefficiency involved in having so many suppliers, so that the number has now been reduced to 250 in thirty-five countries. As of 2004 the company was planning to offshore more of the jobs still left in the United States.<sup>34</sup>

### **THE AUTO COMPANIES**

Automobiles are heavy. Shipping is costly and each model is uniquely designed, in part at least—unlike computers, apparel/textiles, shoes, etc. Nevertheless, the auto barons, in pursuit of maximum profit, are attempting to utilize the new structure of capitalist production to lower wages wherever possible.

General Motors, Ford, and Chrysler are all restructuring. They have announced plans to get rid of more than seventy thousand union jobs and shut down twenty assembly plants in the United States. But as they close unionized plants, destroying workers' lives and entire communities in the U.S., they are going offshore to seek out low-wage labor.

For example, GM is spending six hundred million dollars to build a new assembly plant in San Luis Potosi, Mexico, that will employ two thousand workers by 2008. Mexican assembly workers average \$3.50 an hour compared to \$27.00 an hour in Detroit. But that is only part of the story. The GM and Ford assembly plants in Mexico are themselves outsourcing to suppliers who deliver pre-assembled pieces of cars directly to the factory floor. And skilled parts workers at Delphi's Mexico plants get \$1.50 an hour.

Ford, which is shutting down fourteen plants in the U.S., recently spent one billion dollars expanding its Mexican plant in Hermasillo to create two thousand new jobs in addition to the 1,200 workers already at the plant. As a price for making the investment in Mexico, the company forced concessions from the Ford Auto Workers Union in Mexico, demanding more flexible work rules and lower starting wages. As a result, half of the factory's three thousand workers make \$2.00 an hour.<sup>35</sup>

Delphi and Visteon are the two largest auto parts suppliers in the world. That is because they previously belonged to GM and Ford, respectively. Both were "spun off" as part of the auto companies' plans to reduce labor costs. Delphi has declared bankruptcy for its U.S. operations, which are unionized by the UAW. Its overseas operations, which employ 115,000 worker; many of these branches operate in low-wage countries like Mexico and China, are not part of the bankruptcy procedure. The company's immediate goal is to reduce U.S. workers' wages from \$27.00 an hour to \$16.50 an hour. Its long-term goal is to reduce its U.S. workforce from thirty-two thousand to seven thousand, destroying twenty-five thousand union jobs.<sup>36</sup>

As of November 2006, Visteon announced that it was cutting 13.9 percent of its salaried workforce in North America and Europe—6,900 workers—and relocating to low-wage countries at an annual savings of seventy-five million dollars in labor costs. The company recently opened a 110,000-square-foot soft-

ware engineering center in India and new climate control facilities in China, Turkey, and Slovakia. Visteon's goal is to have 50 percent of its engineering workforce in low-wage countries by 2008, up from a third, and 75 percent of its hourly workers in low-wage countries, up from 68 percent, also by 2008. The company has forty-nine thousand workers at 170 locations in twenty-six countries.<sup>37</sup>

## **BOEING**

The search for cheap engineering labor and speed-up of production at Boeing intensified after the fall of the Berlin Wall, when the counterrevolution in the USSR was coming to a climax. In 1991 Boeing started to farm out work to Russian (then Soviet) scientists who had designed high-quality aircraft for the Ilyushin, Tupolev, and Sukhoi divisions of the state-owned industry. (It is a measure of the role that significant sections of the Soviet scientific intelligentsia played in the counterrevolution that they would work with Boeing, one of the Pentagon's biggest Cold War military-industrial contractors.) By 1998, according to Friedman, Boeing set up a twenty-four hour operation, with two shifts in Moscow and one in the U.S., both in Seattle and Wichita, Kansas, using fiber optic cable, workflow software and videoconferencing to connect them.

Russian engineering labor was \$40 an hour compared to \$120 an hour in the U.S. But as important as it was to get cheap Russian labor, the ultimate aim of the design work was to increase the rate of exploitation, i.e., productiveness, of the assembly workers, and to fight Boeing's European corporate rival, Airbus. The time to produce a Boeing 737 was brought down from twenty-eight days to eleven days; the next generation of aircraft will be built in three days.

Of course, the new Russian bourgeoisie had converted the aircraft industry from branches of planned socialist production into individual profit-making companies. So the Russian bosses, in order to increase their cut of the profits, emulated Boeing by outsourcing part of their work to an even lower-wage supplier in Bangalore, India.<sup>38</sup>

## **Making stuff cheap**

A typical example of the bourgeois spirit of greed expressed in the newfound craze for low wages that shows how the urge to use new technology against the workers has spread is reported by Suzanne Berger, the leader of the MIT Industrial Performance Center study who authored the book *How We Compete*, which summarized its findings.

Berger cited the example of a London clothing manufacturer, which refused to be named—as did its CEO (with good reason). This “manufacturer,” whom Berger calls Alpha, like Dell, has no factories. About 80 people work in its London offices but it outsources to Romanian subcontractors with giant plants that employ about ten thousand workers. Alpha “makes” about 120,000 tailored jackets, slacks, and skirts a week.

The London CEO was reading an article one day about Airbus and its outsourcing system. “For me it was a life-changing idea,” he told Berger. The article explained that as long as Britain kept the technology for making the wings of the plane, and let the seats and all the rest be made in the cheapest places, Britain would always have good profits and jobs from the wings.

So, ten years ago, Alpha closed its factories in Britain and moved its production to Romanian contractors who work only for British corporations. Alpha used its worldwide “supply chain” to buy zippers, lining, buttons, hangers, plastic bags, etc. If one garment has twenty components and there are four million garments, then eighty million pieces must be brought from the lowest-wage places available and delivered to the Romanian subcontractors.

Alpha has its overseers in the factories, but its control over the process goes way beyond that. With workflow software the company sets up a private network so that factory managers, customers, and the London office can all be in the same virtual room. If, for example, a certain type of sleeve is wanted, the pattern for the sleeve is picked up by the cutting machine in the factory from an electronic company library and the machine goes back and cuts the sleeve.

Berger asked the head of Alpha why he doesn't contract out to Asia, where labor costs are low. At first he talked about "quality" and how you "develop factories you now love." But then he blurted out his racist, chauvinist, bourgeois bottom line. "To be fair, in Romania they are earning about three bowls of rice and a cup of tea every day. For how much less are you going to find anyone to make stuff for you?"<sup>39</sup> This is the true voice of imperialist "globalization."

And this is the spirit that is sweeping the boardrooms from Wall Street to London, Paris, Berlin, Rome, and Tokyo. They are intoxicated with the opening for increased profits unleashed by and inherent in the new technology. Levi's has shut down sixty-plus plants, mostly in the southwest of the U.S., in order to seek sweatshop labor from Indonesia to the Caribbean. Wal-Mart has forced its suppliers to go all over the world to get the lowest price and then come back next year with an even lower price. Apple is moving its overseas center to Singapore; Alcoa is moving to Iceland, Brazil, Russia, and China.

### **Supply chains: new vassals of the lords of capitalism**

The basis of this global restructuring is the creation of hundreds of thousands of large, medium and small capitalists firms that compete to serve the giant monopolies. These suppliers are linked to the giant corporations in a variety of relationships. Some serve to make one or a few components. Others make entire commodities and are committed to only one monopoly or one industry. Others do design or engineering work. Still others do partial or even complete assembly work, and so on.

But what they all have in common is that they are modern-day vassals of the giant lords of capital. They are vassals in the sense that they are dependents. Their relationship to the monopolies may be contractual, but they are as much an integral part of the global corporate empires of the companies they serve as if they were directly owned by them.

Like the vassals of the feudal lords, they gather around IBM, General Electric, Motorola, Procter & Gamble, Nike, Citibank, JPMorgan Chase, and most of the Fortune 500, in addition to the European and Japanese transnationals, and are granted a share of the surplus value—i.e., profit—extracted from the growing global networks of wage slaves.

The higher vassals of the feudal lords were granted the use of land belonging to the lords with the right to exploit the serfs or land slaves attached to it, in return for service in the dynastic wars. The higher vassals, in turn, granted parts of these lands, along with their serfs, to subordinates in return for allegiance, and these subordinates further divided their lands and their land slaves to even lower orders.

In the same way these subordinate exploiters, called "first-tier" suppliers, subcontract out the work to second-tier capitalists, who take their cut of the profit from the exploitation of the workers while contracting out to lower tiers of suppliers.

### **FLEXTRONICS, THE LEAD VASSAL**

A leading example of a supply organizer that serves the multinationals is a company that is little known, either to the general public or the working class in general. Its name is Flextronics. It has more than one hundred thousand workers of its own, aside from those exploited by the lower-level suppliers it deals with. Its headquarters is in Singapore, although it was founded out of Silicon Valley by a Harvard-educated MBA. If it were on the Fortune 500 list it would be number 138. In 2006 it had \$15.3 billion in revenue.

Flextronics promotes itself on its web site as a true supplicant to the giants of the electronics industry, having "established an extensive network of design, manufacturing and logistics facilities in the world's major electronics markets ... to serve the growing outsourcing needs of both multinational and regional OEMs"—original engineering manufacturers, or giant multinational corporations.

"We are a global industry leader in low-cost production capabilities. Our significant investments in manufacturing facilities in low-cost regions of the world enable us to provide our customers with competitive manufacturing costs. The majority of our manufacturing capacity is located in low-cost regions such as Mexico, Brazil, Poland, Hungary, China, India, Malaysia, and other parts of Asia."

Flextronics has factories in more than thirty countries on five continents, including in South Africa. It has established “industrial parks” for its clients. It has given this cheery name to seven gigantic facilities where it provides “total supply chain management by co-locating our manufacturing and logistics [supplying and shipping—ed.] operations with our suppliers at a single low-cost location.” The industrial “parks” are located in Gdansk, Poland; eastern and western Hungary; Guadalajara and Juarez in Mexico; Sorocaba, Brazil; Chennai, India; and Doumen and Shanghai in China.<sup>40</sup>

As of 2004, according to Jeff Ferry in the magazine *strategy+business*, Flextronics made all of Microsoft’s Xbox games (for a contract worth \$750 million a year), most of Hewlett-Packard’s inkjet printers (one billion), all of Xerox’s desktop copiers (one billion), and all of Sony Ericsson’s cell phones (two billion). In early 2004 Nortel made Flextronics its largest supplier, farming out much of its production of telecommunications equipment (two billion).<sup>41</sup>

Sun Microsystems made Flextronics one of its major suppliers, among 26 others, when it outsourced 90 percent of its production. Flextronics designed cell phones for Motorola and then got the manufacturing contract for more than one billion dollars.<sup>42</sup>

Michael Marks, its founder and CEO, explains the strategy of a subordinate capitalist navigating the new structure of the imperialist competition. “If you boil it down, there’s one principle, and it’s the age-old ‘listen to the customer.’ Each service and each geography we added, we added because that’s what our customers told us to do.”<sup>43</sup>

It is of interest that Flextronics got its real start as a major supplier in 1993 when it bought an Austrian-based firm, Neutronics, from the Dutch electronics giant Philips and thus acquired four large industrial facilities in Hungary, where production workers were getting three dollars an hour compared with twenty dollars an hour in countries like France, Germany, and Austria.<sup>44</sup> Flextronics is a living beneficiary of the capitalist counterrevolution, as further illustrated by its major facilities in Gdansk, Poland—the former shipyards where the overthrow of socialism began its initial phase.

The value of the contract suppliers to the ruling class was directly and brutally stated by the head of HP’s global Imaging and Printing Division. Mike Fawkes, a senior vice president, told Ferry that “a couple of years ago Mexico got very expensive for consumer products, and we moved our production to the Flex factory in Shanghai. To be able to do that is a beautiful thing. If I had to build or shut down my own factories, the lead times would be very long.”

Marks displayed the same calloused indifference to the fate of the workers in describing how the company shifted its business during the downturn after the tech bubble burst in 2000. From 2001 to 2004 it shifted toward consumer electronics. In the process “our net employment went up, but we had to let ten thousand people go. Our business shifted away from the U.S. and Western Europe. The growth was in Asia, Eastern Europe, and Mexico.” Thus between 2001 and 2004 Flextronics *laid off* workers in high-wage, i.e., imperialist countries, while it *increased* the number of jobs in low-wage countries by a number exceeding the layoffs.

The dominance of the giants and the fact that they take the lion’s share of the surplus value produced by the workers shows up in the difference in profit margins. Flextronics, for all its global efforts and with one hundred thousand workers, made 6 percent profit in 2004. The giant electronics firms, however, typically earn double-digit super-profits. “The margins are slender in contract manufacturing,” wrote Ferry, and he compared General Electric’s 36 percent profit margins with the paltry take of Flextronics.

## **SOLETRON**

The next largest electronics contract manufacturer is Solectron. It has a similar profile, with more than fifty thousand workers, ten billion dollars in revenue, and a global network of more than fifty facilities in twenty countries. It is based in Portland, Oregon, and has plants in the major imperialist countries in Europe and Japan. But its presence is heavily weighted in low-wage countries (and in the low-wage South in the U.S.). It has plants in Sao Paulo, Brazil; Chihuahua, Mexico; and Aguadilla, Puerto Rico. In Asia it has nine plants in China alone. It is in India, Indonesia, Malaysia, Singapore, and Taiwan. In Eastern Europe it is in the Czech Republic, Hungary, and Romania. It also has a plant in Turkey.

Selectron has numerous plants in the U.S. but the majority of them are in the low-wage Southern states: Alabama, Georgia, Kentucky, three plants in the right-to-work state of North Carolina, and others in South Carolina, Tennessee, and Texas.<sup>45</sup>

The system of contracting out production is dominant in the global electronics industry in many forms. The Taiwan Semiconductor Manufacturing Company (TSMC) is the largest dedicated foundry for the production of semiconductors. It produces semiconductor chips for the industry but does not develop its own products. In 2004 it had revenues of \$2.7 billion with foundries in Taiwan, China, and Singapore. It makes chips for the monopolies that used to make their own—companies like Texas Instruments, IBM, and Philips—saving them the huge capital investment in fabrication foundries, which now cost up to three billion dollars apiece.<sup>46</sup> A whole host of similar dedicated chip-makers sprang up to serve the multinationals in the wake of TSMC's success. In fact, TSMC was founded by a partnership between Philips and the Taiwanese government.

Quanta, another Taiwanese company, is Dell's supplier and in 2004 made one out of every four PC laptops in the world. In that year its revenue was ten billion dollars. "In order to produce final goods," writes Berger, "companies like Dell, Broadcom, Cisco, the Gap, Nike need to link up with these nonbrand contract manufacturers like Quanta, Hon Hai, Solelectron, Flextronics, Fang Brothers, Pou Chen. These names are mostly unknown to the public, but they make our computers, our MMP3 players, our sweat-shirts, and our sneakers."<sup>47</sup> What she really means is that low-wage workers around the world make these commodities, which bring in handsome profits to the so-called "lead firms," i.e., electronic monopolies that dominate the industry.

As Berger indicated, this structure applies not only to the electronics industry. For example, one Taiwanese company, Pou Chen, with factories in the People's Republic of China, owns a subsidiary in Hong Kong, which is the world's largest contract manufacturer of sneakers. In 2002, it produced 130 million pairs of shoes and sneakers for Nike, New Balance, Reebok, and Adidas.<sup>48</sup>

#### **BOEING AND 'REVERSE AUCTIONS'**

Boeing, together with Europe's Airbus, sits atop the aircraft industry. It can dictate to suppliers of structures, systems, interiors, raw materials, etc. Boeing Commercial Aircraft (BCA) is constantly trying to drive down costs, especially labor costs, and speed up production. Suppliers have been reduced by BCA from 3,800 to 1,200 key or first-tier suppliers. Just as in the auto industry, Boeing is demanding subassemblies in kits. The role of suppliers is taken right to the production line. For example, the moving production line for the Boeing 737 signals suppliers, who have been brought to the site, when workers on the production line need parts, mainly subassemblies. The supplier is supposed to deliver the kit right to the line. Just as in auto, the workers employed by the suppliers may or may not be unionized. In any case, so-called "parts" workers, who are doing more and more assembly work, have lower wages than workers on the final assembly line, even if they are in the same plant.

The vice president of BCA's Global Partners, Steve Schaffer, told Reed Business Information about how highly the company regards its suppliers—thus the name Global Partners. But the fact is that Boeing puts maximum pressure on suppliers. Thomas Friedman describes Boeing's "reverse auction." Boeing has an Internet site that all the suppliers have to monitor. The company announces a date and time for the auction. It posts its starting price for each item, everything from toilet paper to nuts and bolts—all off-the-shelf parts. Everyone can see everyone else's bid. Then Boeing sits back and watches everyone bid everyone else down. "It's like watching a horse race," says Friedman.<sup>49</sup> But this "horse race" ends up with the ultimate pressure being put on the workers in the so-called supply chain.

Barry Lynn, writing in 2004, shows how fiercely the monopolies have seized upon the contract manufacturing system as the path to cheap labor and reduction of constant capital costs. Lynn describes how, at many of the Flextronics plants, the company has set up multiple assembly lines to serve multiple customers, locating the product runs of even vicious rivals right next to each other on the factory floor. "A telecom product stamped with the Cisco brand may be assembled within a few feet of a product stamped Nortel, in a process overseen by a single group of workers and technicians. But even the most paranoid of the big branded companies have learned quickly to accept this arrangement, as such pooling of people

[low-wage workers—ed.] and machines reduces the cost of manufacturing by between 10 and 20 percent compared to a single company.” Lynn failed to add, compared to a single company in a high-wage country.

“Not surprisingly,” he continues, “contract manufacturers have emerged in many other industries, including clothes, toys, shoes, pharmaceuticals, and semiconductors, even brewing and the processing of food. The model is increasingly common in aerospace and is growing especially fast in the automotive industry.”<sup>50</sup>

### **CISCO SHEDS FACTORIES**

Cisco is a technology company that had \$28.5 billion in sales and 54,500 workers directly employed in 2007. It markets routers, switches, and many other devices and software, all of which direct the flow of information on the Internet. Cisco built its leading position in the world by abandoning the ownership of most manufacturing facilities and instead outsourcing most of its production all over the globe. In the mid-1990s, as the technology boom gathered increasing momentum and the market for routers was rapidly expanding, Cisco was doing most of its manufacturing in California. Its strategy for capturing the growing markets was to begin searching the world for outside manufacturers to make its products. Between 1994 and 1996 Cisco got rid of 75 percent of the company-owned manufacturing and thereafter even contracted out its assembly operations.

By the year 2000, 90 percent of Cisco’s subassembly work took place outside California in thirty-four plants around the world, only two of which were owned by Cisco. Of the workers who worked on Cisco products, only 15 percent were Cisco workers. Cisco “estimated that turning over manufacturing to outside contractors each year cuts ... production costs by between \$900 million and \$1.3 billion.”<sup>51</sup>

When the technology boom turned into a bust in 2001, Cisco cut its payroll from 38,400 workers to 34,440. But most of the workers who made Cisco products labored for contractors that Cisco could “cut at will.”<sup>52</sup> Many of the contract manufacturers kept over half their workers on as temporaries. So during the collapse of 2001 many tens of thousands of workers did lose their jobs without making any headlines in the U.S. They were spread out among small outsourcing contractors in the U.S. and offshore in countries like Brazil, China, Mexico, and Hungary.<sup>53</sup>

### **Contracting out for super-profits**

This example of Cisco can be extended to virtually all the giant monopolies. It clearly illustrates several major strategic advantages for the bosses of the new global restructuring. During times of capitalist expansion, the bosses can quickly expand production by putting out more work to contract suppliers without increasing their investment in plant and equipment. During times of capitalist overproduction and crisis, the global networking of production allows the transnationals to push much of their crisis onto the backs of oppressed workers far from the shores of the so-called “lead firms.”

Furthermore, the arrangement of tiers of low-wage suppliers, contract manufacturers, and other subordinate arrangements hampers the ability of the workers to unite and resist the central economic decision makers and principal beneficiaries of these networks of super-exploitation, namely the Ciscos, Dells, IBMs, etc.

The production networks act as a shield for the masters of capital.

The network arrangement diffuses the crisis of layoffs or cutbacks over a wide region and spreads the local responsibility to many different owners. Furthermore, and most importantly, it transfers much of the crisis onto the backs of the low-wage workers, while it eases the social crisis in the imperialist centers. In addition it pushes a great deal of the economic loss onto the backs of the suppliers, generally producing a ripple effect among the workers and small businesses, and spreads much of the secondary damage to the low-wage countries. Thus the layoffs at the lead firm are not only accompanied by layoffs among its suppliers, but the multiplier effect brings even wider layoffs in the affected communities in the low-wage countries.

Lynn, who is clearly critical of the monopolies and sympathetic to the workers but is hardly a radical, gives the following assessments of the significance of contract manufacturers for the giant corporations:

When a company like Cisco accelerates the disintegration of manufacturing activity within the lead corporation, the results mean very different things for the shareholder and for the worker. For the shareholder, one of the prime benefits of off-loading work from the lead firm onto other companies is to transform fixed costs into variable costs. Any firm able to slough off plants and workers in bad times is better able to protect its margins, hence its return on investment and highly outsourced companies are obviously much more able to do this. Such flexibility is one of the oldest and most enduring dreams of capital, and it has been pursued often with great vigor by the salesmen and financial experts who dominate the ranks of CEOs today.<sup>54</sup>

Later in the book, Lynn writes:

In many senses, Flextronics and the other contract manufacturers are the powers that made possible Cisco's power. But theirs is a limited power, that of a valued but always expendable employee. In a new global economy populated by ever more aristocratic and even dilettantish lead firms, Flextronics and its colleagues have come to serve increasingly as the foremen, responsible for rounding up the workers and getting them to work.<sup>55</sup>

Earlier in the same work, Lynn had written:

Another way to understand what has happened is to look not at the process of outsourcing but at the network of production that results naturally from any system-wide outsourcing. In a sense, any such network can be viewed as common property that belongs to all the companies that rely on it.<sup>56</sup>

Lynn bemoans the fact that since no one entity owns it, no one is in charge of watching out for the risks, etc. He does point out that “the nature of competition results in a race among users to exploit the common system most effectively.” But being a bourgeois himself, he cannot lay the responsibility at the feet of capitalism. He regards the anarchy of production and the vicious, anti-worker corporate competition for global dominance as a failure of governmental regulatory policy, rather than as the inevitable result of the profit system itself.

But Lynn's characterization of the production networks and the “foremen, responsible for rounding up the workers” as “the common property that belongs to the companies” which rely on them is the key to the new structure of imperialist super-exploitation by contract.

The United Nations Industrial Development Organization (UNIDO) did a study of globalization with reference to Sub-Saharan Africa in the year 2000.<sup>57</sup> It described this key new feature—of the economic structure of super-profits by contract—in a section entitled “From physical to digital markets.” The document, using elliptical language, actually refutes the idea of a so-called global marketplace of classical capitalist competition and describes the market dominated by monopolies. It discusses the difference between the classical supply-and-demand capitalist economic theory of the free marketplace and what it calls “market discipline” imposed by the corporate giants.

The study puts forward “the theoretical proposition that the difference between a global market place and a global market discipline is that whereas, in the case of the former, the market price is the outcome of the interplay between supply and demand, in which supply has always been a function of so-called *cost price plus* calculations, in the case of a global market discipline, prices are determined on the *market price minus* principle.”<sup>58</sup> [emphasis UNIDO]

The document then cites the process previously described in the case of Boeing and its subcontractors.

In the “real time” world of digital markets we see, for example, the emergence of what have been termed ‘reverse markets’ or ‘auction’ markets in which consumers post on-line what they are willing to pay for products or services. *Priceline.com*, for example, is an on-line auction place that allows consumers to set the price at which they will buy an airplane ticket. Airlines can then decide if they want to “hit the bid” and fill a consumer's order. *On a big scale* [emphasis added] producer/manufacturing companies, such as General Electric, Ford, Chrysler have web-based links to their suppliers that enable these to make bids for component contracts. For example, *FreeMarkets Online* [!—ed.] has developed software that enables large industrial buyers to organize on-line auctions for qualified suppliers of semi-standardized parts like fabricated electronic components. Auction bidding drives the cost down to the purchaser by about 15-40%. The cost-reducing potential

of digital (real time) markets constitutes the core of the claims by globalists and new economy enthusiasts of all round growth and prosperity.

This was in the year 2000; the process has since progressed further.

Thus is laid bare one of the key mechanisms of garnering super-profits from low-wage workers. Under the old international division of labor in the earlier period of imperialism, prior to the leap forward in communications and Internet technology, General Electric, Ford, Chrysler and any other giant transnational corporation garnered super-profits, i.e., profits over and above those extracted from “their own” working class, by simply forcing workers they employed in the oppressed countries to work for low, colonial-level wages and then keeping the extra surplus value in the form of fabulous profits.

In the present stage, the monopolies derive super-profits by forcing their capitalist contractors and sub-contractors to surrender to the corporate overlords part of the normal profits derived from the exploitation of the low-wage workers in their employ. The transnationals force the prices down, driving their contractors to bring greater pressure on the workers. Meanwhile, the monopolies pocket the extra profits. They accomplish this because they control the end markets, the brands, the key technology, sometimes the financing needed, etc.

### **Price-setters and price-takers: workers are on the bottom**

Some of the giant brand-name companies send teams of engineers to “live” in the contractor’s plant to monitor operations and keep the pressure on. Others set up pilot factories and learn the manufacturing process so they can always have a credible threat to take business away from the contractor. Still others make sure to maintain multiple suppliers so they can threaten to move production around and keep their vassals in line. Berger shows how U.S. apparel giants like Ralph Lauren, Jones NY, Liz Claiborne, the Gap, and Calvin Klein, among others, give their suppliers such large orders that these suppliers become dependent on the giant monopolies for most of their business and are forced to accept their terms or risk going under.

“How does this work?” an unnamed apparel executive told Berger’s MIT team in an interview. “The CEO of Liz Claiborne or of Jones or one of the others will say to Kenneth Fang, president of Fang Brothers, Hong Kong, one of the world’s largest manufacturers of apparel, ‘We’ll give you an order for 30,000 units per month; which factory will you give us?’ If you’re a Liz Claiborne or a Jones NY or a Kellwood, and you find a good factory, you want to control it, hence to do the lion’s share of the manufacturing in that plant. Say it’s Liz [Claiborne]. They’ll say, ‘We have to control our own destiny.’ The physical plant Liz is in, Liz controls. Fang may own it, but to all intents and purposes it is your plant.”<sup>59</sup>

The giant firms use this power to completely dominate the manufacturing process. Cisco outsources most of its production yet maintains control over the process. “Cisco controls databases, quality control, and production monitoring even when outsourced,” writes Berger. “For instance, data from contract manufacturers’ quality-control systems can be pulled by Cisco at any time to find out everything about the product—who made it, where it was made, and when.”<sup>60</sup>

Of course, Berger leaves out the fact that this gives Cisco control over the workers, their speed of production, etc., as well as over the supplier capitalists.

An executive from Timisoarawear, a Romanian apparel company, recounts: “Our German clients ... continually watch over our shoulders and tell us how to do everything. The Germans have their own technicians who are in the plant every day....

“Even with long-standing German customers, we have endless negotiations about every conceivable problem that could come up. One of these German brand-name firms had 60 percent of our capacity. Two years ago, they wanted to place a big order and insisted on a lower price. We hesitated, and they cut us off with a single fax—even though we’d been doing business with them for years.”<sup>61</sup>

A prominent Taiwanese laptop computer maker told an MIT interviewer that, no matter how much travel his engineers did, he dared not let them use business-class seats, for fear that they would be seen on the plane by a customer who would conclude that there was still “fat” that could be shaved off his prices.

Berger concluded: “Although they may negotiate over price, essentially the lead firms are price-setters and the outsourcers are price-takers, and the wishes and whims of the lead firms ordinarily win out....”<sup>62</sup> So much for the “free market” under the domination of the monopolies.

Thus, while the transnationals make high, “above-normal” profits, the subcontractors make below-normal profits. At the bottom are the low-wage workers, whose labor has supplied all the surplus value with the sweat of their brow, while the lion’s share goes into the vaults of super-rich imperialists. This is how it works out that Flextronics, a fifteen-billion-dollar contract manufacturer, the largest in the world, makes 6 percent profit while General Electric, a three-hundred-billion-dollar monopoly, makes 36 percent.

This is the new global form of imperialist super-exploitation, carried out through subordinate capitalist intermediaries and enforced by contract backed up by monopoly power. It is these intermediaries that run the sweatshops, enforce unsafe, unsanitary working conditions with low wages, speed-up, anti-union policies, reduced or no benefits, and so on. Squeezing the workers is the only way these capitalist “foremen” can bolster their profits so there is enough to satisfy the giant firms and still have some margin of the loot left over for themselves.

### **FEARS OF THE OVERSEERS AND SECRECY OF THE MONOPOLIES**

The question on the minds of the managers of capitalism is: Where is all this leading? Of course, this question should also be on the minds of every labor leader and all leaders of the workers and the oppressed. However, the extent of this development is being kept secret by the bosses, precisely because it is such an explosive issue for the working class.

The bosses have told the federal government not to collect data on offshoring and not to release whatever data they have.<sup>63</sup> The Labor Department surveys the corporations and workers but will not reveal anything about its findings.<sup>64</sup> In fact, the U.S. Department of Commerce will not release a 200-page report made by its Technology Administration experts on the impact of offshoring. In 2006 the House Science Committee voted down a resolution that would have forced release of the report to Congress<sup>65</sup> and in August 2007 the TA was abolished under the America Competes Act. Thus, the Bush administration no longer has to be embarrassed about suppressing information, since the agency tasked with compiling it has been abolished.

This conspiracy of the bosses to keep the workers in the dark is causing deep concern in the highest echelons of the capitalist establishment. Governmental and financial authorities are afraid that the trend is leading in the direction of crisis, but they have no clue as to how large or the timing. The think tanks and researchers have been reduced to trying to tabulate data from the press releases that big corporations decide to release.

### **30 to 40 million service jobs at risk?**

Alan Blinder, former vice chairman of the Board of Governors of the Federal Reserve Board, and presently an economics professor at Princeton, in March 2007 broke onto the front page of the Wall Street Journal with a projection that between thirty million and forty million service jobs in the U.S. were at risk.<sup>66</sup> He hastened to note that he was not predicting that this number of jobs would actually be moved abroad. Rather, his concern was that, given the development of technology and the current push to offshore, the bosses can now choose from a wide variety of higher-paid service jobs, should they move more aggressively in the direction of offshoring them within the next decade or so. Blinder’s expectation was that the bosses were straining at the bit to offshore service jobs of all types.

Blinder originally declared his anxiety in an article in *Foreign Affairs* magazine in 2006 dramatically entitled “Offshoring: The Next Industrial Revolution?”<sup>67</sup> Blinder is the leader of a faction among the economic overseers of the imperialist economy who feel they are watching the slow-motion development of the material for a social explosion. They express their anxiety and flounder around for preemptive solutions, trying to ring alarm bells to wake up the rest of the ruling class establishment.

The Blinder faction is answering the “globalizers at all costs” school, one of whose principal advocates is President George W. Bush’s former chair of the Council of Economic Advisers, N. Gregory Mankiw. The

Bush-Mankiw faction are cheerleaders for offshoring and play the tunes of mindless optimism. Mankiw caused a stir at the top echelons of the labor movement and embarrassed the Bush administration in February 2004 by “appearing indifferent to the pain caused to those whose jobs go overseas,” wrote the fiercely anti-labor Wall Street Journal. “Does it matter from an economic [meaning profit—ed.] standpoint whether items produced abroad come on planes and ships or over fiber optic cables?” asked Mankiw. “Well, no, the economics is basically the same.... More things are tradable than ... in the past, and that’s a good thing.”<sup>68</sup>

Blinder, like the entire economic establishment, suffers from lack of information and has stated that there are no reliable national data. Of course, he does not mention that this is because of the secretiveness of the corporations. Such information would be readily attainable if the bosses cared to divulge it and if the capitalist government were inclined to collect and classify it.

#### **OFFSHORING FEVER RISES IN THE BOARDROOMS**

Blinder was in Davos, Switzerland, at the World Economic Forum in January 2004, a month before Mankiw’s statement. At this gathering of the global ruling class, he heard executives talking excitedly about moving jobs overseas that not long ago seemed anchored in the U.S.

What Blinder observed at Davos corresponds to anecdotal reports about what has been transpiring in the boardrooms of the ruling class. In a 2003 PowerPoint presentation, Microsoft Senior Vice President Brian Valentine urged managers to “pick something to move offshore today.” In India, he said, you can get “quality work at 50 percent to 60 percent of the cost. That’s two heads for the price of one.”<sup>69</sup>

The big job migration is in its very early stages. One of the chief corporate research companies, Gartner, Inc., wrote in 2003 that “Globalization trailblazers, such as GE, AmEx, and Citibank, have spent a decade going through the learning curve and now are ramping up fast. More cautious companies—insurers, utilities, and the like—are entering the fray.” Gartner expected 40 percent of the top one thousand companies in the U.S. to begin their own pilot offshoring projects between 2003 and 2005. The projection is that offshoring will really accelerate by 2010, by which time global white-collar outsourcing practices are expected to be standardized.<sup>70</sup>

In May 2004, Forrester Research, Inc., a major adviser to big business on what the trends in technology are and how to take advantage of them, made a projection that 3.3 million white-collar jobs would go offshore by 2015. The Forrester report also estimated that \$136 billion in wages would shift from the United States to “low-cost countries” in that time period. “Europe is joining the trend too. British banks like HSBC Securities Inc. have huge back offices in China and India; French companies are using call centers in Mauritius; and German multinationals from Siemens to roller-bearing maker INA-Schaeffer are hiring in Russia, the Baltics and Eastern Europe.”<sup>71</sup>

According to a press summary of the report, “New figures on offshore outsourcing suggest that American companies are sending even more white-collar jobs to low-wage countries such as India, China, and Russia than researchers had originally estimated.”<sup>72</sup> Forrester gave as an example that computer programmers averaged ten dollars an hour in India compared to more than sixty dollars an hour in the United States. The report predicted that the trend would further devastate the Midwest as agribusiness, auto parts suppliers, and other giant manufacturers began to offshore accountants, programmers, analysts, and other white-collar jobs.

These numbers are entirely speculative, straight-line projections based upon the trend of the moment. Given the anarchic, unplanned character of capitalist production, bourgeois researchers and economists can never go beyond such methods, which amount to wild guessing about the future. Economic crisis, trade wars, imperialist war, and especially the class struggle of the workers, among any number of currents inherent in the profit system, could completely overturn these projections drastically. But what is important for the working class is that Forrester was basing its report on what was going on in the boardrooms at the time—and that trend seems to have deepened since 2004, if anything.

Gross numbers remain the secrets of the corporations. But examples abound. The Philippines is a country of nearly eighty million people that produces about 380,000 college graduates a year. U.S. accounting

houses and corporations are zeroing in on the abundance of Filipino accounting graduates trained in U.S. standards, making them targets for offshoring.

As of 2004 there were ten thousand Filipinos, almost all with college degrees, staffing forty-five call centers to provide 24/7 customer service for the transnationals. Companies like American Express, Eastman Kodak, Intel, Microsoft, and Dell Computer are flocking to the Philippines, lured by the country's low wages, generous tax breaks, and ample supply of English speakers.

Fluor Corp. of California (an Iraq War contractor and favorite of the Pentagon) in 2004 employed twelve hundred engineers and drafters in the Philippines, Poland, and India to work on some of the fifty thousand separate construction plans involved in the building of a multi-billion-dollar petrochemical plant in Saudi Arabia. Two hundred young Filipino engineers earning less than three thousand dollars a year worked over the Web with elite U.S. and British engineers making up to ninety thousand dollars. Manila operations, according to the head of Fluor, reduce the company's project costs by 15 percent.<sup>73</sup>

India had 520,000 Internet technology (IT) engineers in 2004; their starting salary is five thousand dollars. It graduates 260,000 engineers every year. A top chemical or electrical engineering graduate will earn about ten thousand dollars a year compared to eighty thousand dollars in the United States. Office-Tiger, the service equivalent of the contracting manufacturers, has analysts in Madras writing research papers for Wall Street firms. In a 140-acre city within a city in Mumbai, Morgan Stanley, JPMorgan Chase, Goldman Sachs and other big investment banks are hiring their own armies of analysts and back-office staff. Here they pile up super-profits surrounded by the poverty and misery of the urban poor.

In 2003 some twenty-five thousand U.S. tax returns were processed in India. By 2005 it was about four hundred thousand. This number is expected to rise dramatically. There are about seventy thousand accounting graduates in India every year, many of whom work for one hundred dollars a month. They are ripe for U.S. offshoring. There are about 245,000 Indians answering phones or dialing out at call centers, soliciting people for credit cards or cell phone bargains, notifying of overdue bills or offering customer service.<sup>74</sup> General Electric has thousands of technicians, scientists, and engineers working directly or indirectly for its numerous companies, both in India and around the world.

Indian companies like Infosys, Wypro, and Tatar Consultancy Service, among others, are firms provide outsourcing of everything from Internet technology to back office work for the transnational giants. IBM Services has become a major outsourcing advisor to other giant firms. Organizing outsourcing has become a big business in itself as corporations seek to find low-wage labor but want to short-circuit the trial-and-error process.

A *Business Week* special feature on "The Future of Outsourcing" in 2006 gave a summary description of the process. "Here's what such transformations typically entail: Genpac (formerly a GE company), Accenture, IBM Services or another big outsourcing specialist dispatches teams to meticulously dissect the workflow on an entire human resources, finance or info tech department. The team then helps build a new IT platform, redesigns all the processes, and administers programs, acting as a virtual subsidiary. The contractor then disperses work among global networks of staff ranging from the U.S. to Asia to Eastern Europe."<sup>75</sup>

Giants such as Procter & Gamble, DuPont, Cisco Systems, ABN Amro, Unilever, and Marriott were among the firms that signed contracts worth billions. Procter & Gamble, a \$57 billion company, outsourced everything from IT infrastructure and human resources to management of its offices, from Cincinnati to Moscow. DuPont gave management of the payroll and benefit records for its 60,000 workers in seventy countries to Convergys, the largest call-center operation in the world.

Eli Lilly, the pharmaceutical giant, is now doing 20 percent of its chemistry work in China for one-quarter of the U.S. cost and is trying to cut the cost of clinical trials for drugs by outsourcing them to Brazil, Russia, China, and India. Other pharmaceuticals are making similar moves.<sup>76</sup>

Penske Truck Leasing, a joint venture with General Electric that has 216,000 trucks, hired Genpact (40 percent owned by GE) to restructure its office work. The restructuring resulted in an international speedup of drivers in addition to outsourcing to low-wage office workers. For example, if a Penske driver is de-

tained at a weigh station for lack of certain papers, the driver calls an 800 number. Genpact staff in India obtain the papers over the Web. The weigh station is notified electronically and the truck is back on the road within 30 minutes. Previously, Penske thought it did well if it accomplished that in two hours. And when a driver finishes the job, his/her entire log, including records of mileage, tolls, and fuel purchases, is shipped to Mexico, punched into computers, and processed in Hyderabad. In all, 60 percent of the 1,000 workers handling Penske back-office processes are in India or Mexico. The low-wage office workers in India also help with scheduling, billing, and invoices. Penske saved \$15 million annually in direct labor costs.<sup>77</sup>

In 2006 Texas-based Electronics Data Systems (EDS) was losing top clients because it lacked low-cost offshore capabilities. It bought up a Bangalore software and back-office services firm, MphasiS, for \$380 million and quickly boosted its Indian workers from three thousand to eleven thousand. Oracle Corp. paid nine hundred million dollars to buy the controlling share in a Mumbai banking software company. R.R. Donnelly & Sons, which already has two thousand workers in India doing its back-office work, bought OfficeTiger, an Indian accounting and analytic outsourcer for \$250 million. IBM, Hewlett-Packard and Accenture have added thousands of workers in India. In 2004 IBM bought a New Delhi call center and now has 38,500 workers in India.

According to Forrester Research seventy billion dollars in existing outsourcing contracts will be up for renewal in the next two years and billions more in new contracts will be signed. The key for outsource providers in the competition to sign up corporate customers is to have masses of low-wage workers either under their employ or in their outsourcing networks.<sup>78</sup>

#### **WHITE-COLLAR OUTSOURCING BY EUROPE AND JAPAN**

The trend is taking hold in the imperialist world as a whole. Accenture, the giant outsourcing company with \$16.5 billion in revenue in 2006, has taken thirteen stories in an eighteen-story skyscraper in a corporate park in Prague. Accenture has 146,000 employees in seventy countries and does business with two-thirds of the Fortune 500 as well as with European corporations. It is rounding up white-collar labor in Eastern Europe for the transnationals, such as French chemical giant Rhodia and the global German software company SAP, among others. Commerzbank of Germany does its data processing in Prague; Siemens, the electronics monopoly, does bookkeeping, research, and development there; Philips, the Dutch electrical conglomerate, operates a shared service center in Warsaw.<sup>79</sup>

Accenture came to Prague, capital of the Czech Republic, in 2001 and has since expanded to the second-largest Czech city, Brno; to the Slovak capital of Bratislava, and to Budapest in Hungary. Last year it opened offices in Warsaw and in Bucharest, capital of Romania. The corporations seem thrilled with the fact that they can have skilled workers who speak English, French, German, Russian, and other local languages. But the real attraction is that workers in Hungary and the Czech Republic earn a quarter of what workers make in Western Europe. Pay rates in Slovakia are even lower: about a fifth of Western wages. In 2004, when Germany's SAP chose to move accounting and personnel services to Prague, the company could hire five workers for the price of one in Germany. In addition, the governments offer tax breaks and subsidize office construction as an enticement.

When the British food and personal care giant Unilever, in 2005, announced that it was going to move its accounting, personnel, and computer divisions to Eastern Europe, Unilever workers in Germany called a one-day work stoppage, fearing the loss of four thousand jobs. The company retreated, but the next year called in IBM and Accenture to organize the outsourcing over time, declaring that it would kill the jobs by attrition.

Not to be outdone, IBM, Dell and Morgan Stanley, among others, have outsourced services to Eastern Europe or helped other U.S. companies to outsource. Last summer Morgan Stanley announced it was opening a business services and technology center in Budapest, in addition to a mathematical center established there in 2005.

The Japanese imperialists are following the same pattern. To deal with the language issue for outsourcing white-collar work, they have pushed work through intermediaries into the northern port city of Dalian,

China, where about one-third of students take Japanese as a second language. “Dalian has become for Japan what Bangalore has become for America and the other English-speaking countries: outsourcing central,” says Friedman.<sup>80</sup> Kenichi Ohmae, an author and former corporate consultant who champions globalization, established his own outsourcing company in Japan to promote shifting work to China, mostly data entry. The company has branched out into architecture. In addition to its regular workforce, it has contracts with seventy thousand Chinese housewives who work at home.

Japanese firms can hire three Chinese software engineers for the cost of one in Japan. Chinese call center operators get ninety dollars a month starting salary. Twenty-eight hundred Japanese companies have either set up operations in Dalian or formed joint ventures. Dalian has twenty-two universities and the students take either Japanese or English. Thus, Chinese white-collar workers are also equipped to work for U.S. monopolies with back-office operations in Dalian, such as General Electric, Microsoft, Dell, and Accenture, among others.

The offshoring of white-collar service jobs is generalized throughout the imperialist world. As in manufacturing, the corporations have their intermediaries who become the overseers, rounding up service labor of all types to meet the needs of the multinationals, taking their cut, and trying to profit by getting the lowest possible labor costs at the skill level required by the global corporate bosses. Whether it is working Chinese software engineers for one third of what it would cost in Japan, or Eastern European bookkeepers for one fifth of what workers get in Western Europe, whatever they call it, it is imperialist super-exploitation and the corporations are garnering super-profits.

#### **BLINDER: STARING AT THE PROBLEM; MISERLY ‘SOLUTIONS’**

As each monopoly plunges ahead to gain a profit advantage or an advantage of position that will lead to more profits in the long run, the already ferocious competition is only bound to intensify. And that competition among the monopolies is won by whichever corporate grouping can wring more profit out of the workers, accumulate more surplus value, one way or the other. Given that U.S. companies are the leaders in the process of outsourcing service work, just as they were in the outsourcing of manufacturing, and given that the union resistance to offshoring is barely visible, Blinder’s urge to get a measure of the problem is understandable.

His method was to study jobs in the economy in order to determine the types of jobs that will be under threat in the next decade and beyond. His starting point is that any service which can be delivered electronically, which does not require person-to-person contact, can potentially be offshored.

On that basis he analyzed 817 job categories set up by the Bureau of Labor Statistics and arrived at the figure of thirty million to forty million jobs. The list includes bookkeepers and accountants, computer programmers, data entry keyers, graphic designers, film and video editors, medical transcriptionists, and others. He warned that “tens of millions of additional American workers will start to experience an element of job insecurity that has heretofore been reserved for manufacturing workers.” He continues: “This is something factory workers have understood for a generation.... It’s now coming down on the heads of highly educated, politically vocal people, and they’re not going to take it.”<sup>81</sup>

In fact, Blinder was one of the champions of the anti-labor NAFTA treaty that went a long way to increase that “element of job insecurity” among the workers. As a member of Bill Clinton’s Council of Economic Advisers he supported the legislation that opened up Mexico to food exports by U.S. agribusiness and relaxed conditions for capital investment by U.S. manufacturers. NAFTA did away with manufacturing jobs in the United States and brought devastation to Mexican peasants and super-exploitation to Mexican workers.

Blinder does not seem to concern himself with the hundreds of thousands of workers in call centers and others doing so-called low-end “back-office work” around the world for the banks and big corporations at low wages. Perhaps he has no fear of call-center workers in the United States rising up, either. Nor does he concern himself with the conditions of the workers who are going to get the jobs abroad, and what their conditions of labor will be. He makes no mention of the one-sided development imposed upon low-

wage countries and how they are forced to distort their economies in order to accommodate the outsourcing requirements of the imperialist monopolies, just to attract investment.

Blinder's calculation is that the manufacturing and lower-paid workers have been taking it on the chin for the last three decades and have not been able to mount a mass rebellion. But his vision of the future, based upon his studies and those of others, forms a firm basis for his anxiety. He says that "manufacturing workers in the rich countries have grown accustomed to the idea that they compete with foreign labor. But ... many service workers will also have to accept the new and not very pleasant reality, that they too must compete with workers in other countries. And there are many more service workers than manufacturing workers."<sup>82</sup>

What he does not say is that, if service workers rebel, it could easily spill over to manufacturing workers or, on the other hand, if the industrial workers begin to resist, it could infect the service sector of the working class. Blinder's concern and anxiety reflects the ambivalence of those in the upper echelons who can see the trends in capitalist global restructuring. On the one hand, they are completely wedded to the super-profits to be garnered from offshoring. On the other, they fear the social crisis that is inherent in the processes of the profit system. In general, Blinder is guided primarily by the desire to head off any such future social upheaval.

He cites a 2003 Berkeley study and a recent study by the prestigious business consulting firm McKinsey dealing with the Fortune 500, both of which estimated that 11 percent of U.S. jobs are at risk for being offshored. And then he goes on to say that he thinks that "this is the currently visible tip of the offshoring iceberg. The future will reveal much more."

Blinder goes on to cite figures showing that the trend away from manufacturing work toward services is a phenomenon affecting all the imperialist countries. The scenario he arrives at is approximately as follows: Blanket education and "upskilling" the workers is not really the answer. You need to educate workers, not in general, but for jobs available. That means educating workers for jobs that cannot be offshored, i.e., that cannot be delivered electronically, that require personal contact—child care, health care, etc. But job growth is projected to be heavily weighted in low-wage jobs. "Major readjustments" will have to be made, moving people from one industry to another. This will create wage competition in the service industries and "will show up in real wages. As more and more rich-country workers seek employment in personal services, real wages for those jobs are likely to decline.... Thus, the wage prognosis is brighter for luxury personal-service jobs (such as plastic surgery and chauffeuring) than for ordinary personal-service jobs (such as cutting hair and teaching elementary school)."

At the end he admits that while there must be transformation of the nature of work and of education, "the rich countries will retain many jobs which require very little education." He polemicizes against Thomas Friedman, who promotes the fantasy that "creative jobs" will abound and will rescue the offshoring corporate profiteers from social disaster. Says Blinder, "It is hard to imagine that truly creative positions will ever constitute anything close to the majority of jobs. What will everyone else do?"

But Blinder's solution to what he sees as the "wrenching social changes" in the enforced "transformation in the nature of work" is miserly: "We may have to repair and thicken the tattered safety net that supports workers who fall off the labor market trapeze—improving programs ranging from unemployment insurance to job retraining, health insurance, pensions, and right down to public assistance."

Of course, under capitalist wage slavery in which profit and profiteers rule, the bosses create only those jobs that will help them to accumulate capital, beat out their rivals, and get rich at the same time. Thus, wages have nothing to do with the actual usefulness of work performed or the actual creativity on the job or the needs of the workers and their families. The bosses do not recognize any "creativity" on the job unless it is the type that leads to selling more, reducing labor costs, speeding up the capitalist process of exploitation through revolutions in technology, or in other ways boosting profits.

In general, the capitalist class rewards the creativity of the elite who devise ways to increase the productivity of labor of the workers, either directly or indirectly, who find ways to reduce down-time, to squeeze more labor time out of the labor process, to eliminate jobs altogether, and in general to increase the rate of

exploitation and the extraction of surplus value. This means using creativity of the few to increase the hardship of the many.

The not so novel idea of creating good jobs at good pay in both the service and manufacturing industries and using technology to make those jobs easier and more fulfilling could never occur to Blinder. Nor could the simple idea of paying good wages to workers abroad who are doing vital jobs and need good pay, most of all in order to make up for centuries of colonialist- and imperialist-imposed underdevelopment. That rational idea is unthinkable to Blinder because it is rational only from a general social point of view, from a human point of view, not from a capitalist point of view—and of course not from the point of view of an imperialist financial official turned professor.

The system of production for profit instead of human need, i.e., capitalism, is incompatible with such notions as making the health and well-being of those who produce all the wealth and perform all the services the priority of social and economic organization.

These tasks and goals are compatible only with socialism, which finally brings about harmony between collective, consciously cooperative production for human need and consumption for the well-being of humanity.

# The Effect of the Collapse of the USSR on Class and National Relations in the U.S.

## How the defeat of socialism as a rival social system impacted U.S. workers

The globalization of production and the intensification of international wage competition fomented by imperialism is just one facet of a more general phenomenon that both preceded and followed the collapse of the USSR: the drive by the capitalist class to reverse a century of advances made by the working class. Just as the drive toward war in the post-Soviet era is fueled by the attempt to reconquer lost territories and spheres of influence, the tendency in domestic class policy is to retake ground the bosses lost due to the working class struggle and the resistance of the oppressed. This reactionary tendency is particularly pronounced in the United States and was given a great impetus by the demise of the USSR, which gave the ruling class a new sense of freedom from restraint in its assaults on the workers and the oppressed.

Competition with the rival socialist system, and how to contain and ultimately destroy that system, dominated the thinking and policy of imperialism from the time of the Bolshevik Revolution until the end of the Cold War. Indeed, the early reaction after World War I was to send armies against the revolution. When that failed, the U.S. ruling class joined in the campaign of economic and political isolation of the USSR. There followed the Red Scare, the Palmer Raids on immigrants suspected of radicalism, mass deportations, the frame-up and execution of Sacco and Vanzetti, and many other acts of anti-communist and anti-radical hysteria.

This preoccupation became a virtual life-and-death obsession of Wall Street after World War II. The Chinese Revolution of 1949 created a veritable social earthquake that shook the foundations of world capitalism. The revolution consummated a twenty-five-year struggle led by the Communist Party of China to oust the imperialists—first Japan and then the U.S.—and led to the establishment of a socialist government.

After World War II, the revolution advanced in the colonial world. The USSR gained in scientific, industrial, and military strength, becoming a powerful material center for world socialism and the national liberation struggles.

The supreme class-consciousness of the imperialist bourgeoisie came through in its never-ending, crude anti-communist tirades during the Cold War (read class war), which revealed that the ruling class lived in fear of the spread of socialism. There was never a moment when it failed to attack socialism and the socialist countries in one way or another, during periods of both “détente” and accommodation and periods of the most violent confrontation as well.

The present-day tirades against revolutionary Cuba and the Democratic People’s Republic of Korea, as well as attacks on the socialist features that remain in China and Vietnam, give a small sense of the unbending hostility and slanderous anti-communist propaganda waged against the USSR and the entire socialist world. It flooded the airwaves, blanketed the print media, and was deeply interwoven in the entire culture, from Hollywood to the universities to grammar school. Persecution of the Communist Party and all communists and their sympathizers in political organizations, in anti-racist organizations, in the unions, in the fields of academia and culture were particularly severe in the United States during the McCarthy period. Bourgeois democracy was thrown out the window for the sake of rooting out anyone who would try to bring the socialist message to the masses. The broad anti-communist campaign during the Cold War was all encompassing, universally applied to all struggles, energetically embraced and sustained in a way similar to the current “war on terrorism.”

## **ANTI-COMMUNIST CRUSADE SHOWED RULING CLASS FEAR**

The fear that the socialist message generated in the ruling class was akin to the fear among the Catholic Church hierarchy and the landed feudal aristocracy they represented that was created by the Protestant Reformation and the rise of capitalism and the bourgeoisie in Europe. The witch-hunt against communists and communist sympathizers and the demand that they renounce their associations and beliefs or suffer social banishment, imprisonment, and being barred from employment is rightfully regarded as a milder, modern-day version of the Spanish Inquisition. The witch-hunt in the U.S. was accompanied by slanderous attacks on communism as a system. The analogy with the Inquisition holds most strongly in that both were driven by the fear felt by an old, outmoded ruling class toward a new, rising revolutionary challenge to its decadent social system.

But all this anti-communist vilification and persecution was so powerful precisely because socialism was a historically superior social system, from the point of view of the working class and all oppressed people. It was a fairly basic argument to say that those who produce the wealth should own it and dispose of it for the benefit of society and to meet human need—that wealth produced collectively should be owned collectively. The inhumanity of producing for profit to increase the wealth of a tiny minority could easily be exposed.

The capitalist propaganda machine beamed to all continents had to struggle to drown out this argument twenty-four hours a day, seven days a week. It was an implicit admission that socialism had a natural attraction for the workers and the oppressed—an attraction that had to be eradicated by a deluge of lies and slanders. (Of course, the ruling class resorted to force where arguments failed.) After all, despite the severe material limitations of the USSR and Eastern Europe, the workers there were guaranteed jobs as a political right. Pensions, free health care, free education, childcare, vacations, paid maternity leave, early retirement in hazardous occupations, etc., were fundamental rights—in everyday life, not just on paper.

However, the economic limitations imposed by underdevelopment, severely aggravated by worldwide imperialist economic blockades and sanctions regimes, put limits on the abilities of the socialist countries to afford the workers and the peasants the standard of living attained by the upper echelons of the working class and the middle class in the imperialist countries.

Nevertheless, the rights they had made life in the socialist countries far more secure for the working class in general. In addition, every capitalist recession and depression, characterized by a sudden and seemingly irrational collapse of the economy in which poverty appeared to be caused by too much production, plus the sweeping layoffs that were always taking place and causing dislocation and suffering for millions of workers, made it excruciatingly obvious to the bourgeoisie that their system was vulnerable to socialist criticism. It was widely known that the USSR never had a single year of decline in production, except during the worst period of the Nazi invasion. And that decline, unlike capitalist depressions, was not caused by economic mechanisms inherent in the system itself.

Similarly, the Chinese Revolution empowered hundreds of millions of workers and peasants to overthrow capitalism, break all ties with imperialism, and set out to accomplish national development by mass mobilization and socialist economic planning. China, formerly known as “the land of hunger” where millions perished in famines, served as a socialist model for the oppressed countries in Asia, Africa, the Middle East, and Latin America that were throwing off the shackles of colonialism.

Thus imperialism, headed by Wall Street, was engaged in a global struggle to discredit socialism and, above all, to defend capitalism as a superior system to the workers and the oppressed in both the Third World countries and in the advanced capitalist countries.

However, the State Department, the U.S. Information Service, Radio Free Europe, and all the other organs conveying anti-communist and pro-capitalist propaganda faced major challenges because of the exploitive and oppressive nature of capitalism. In the competition to entice the allegiance of the masses of the world in the direction of capitalism and away from socialism, they were burdened with having to sell a poisonous product that was being offered up as medicine.

To be sure, the imperialists did not rely on ideology alone to secure their interests in the struggle with the socialist camp. The fundamental instruments were the Pentagon, the CIA, the National Security Agency, and a host of “dirty tricks” as well as coordination with the corporations to deny the socialist camp the necessary economic means to succeed in socialist construction. But the ideological and political struggle was a key factor in the overall strategy of defeating socialism. They devoted vast resources to spreading pro-imperialist, pro-capitalist propaganda.

Both the USSR and China, two socialist powers in the period after World War II, while being vastly inferior in resources to the United States, nevertheless had the capacity to expose the racism, the poverty, the huge class inequalities of capitalism, and the perennial hardships created by the capitalist boom-and-bust cycle for the working class in the imperialist countries, particularly in the U.S., which was supposed to be the pinnacle of world capitalism. They published millions of volumes of Marxist literature annually in over a hundred languages and distributed them throughout the world at prices workers could afford.

The socialist countries had magazines and newspapers popularly written that covered events in the capitalist countries, the struggles for national liberation, news of development aid and assistance given to newly independent countries, and so on. The USSR and China had news agencies that sent daily dispatches around the world. They had radio stations that broadcast in many languages. They had the capacity to expose the capitalist system and wage a political and ideological struggle for the allegiance of political leaders and mass organizations around the world.

Under the circumstances of this struggle, information about domestic events or the domestic situation in the imperialist countries could readily be used in the ideological and political struggle for influence in a country, a region or around the world. A major strike in the United States, a mine disaster caused by corporate greed and negligence, a police atrocity in the Black community, a political frame-up, such as that of Angela Davis, or the rebellions after the assassination of Martin Luther King Jr.—all could quickly become world news written from a socialist perspective and therefore represent a setback for the capitalist propaganda machine. One of the reasons that government economic reports in the United States had to be so carefully considered and shaped for world consumption was that a major exposure could be used against Washington and Wall Street and put forward as an argument for socialism.

#### **SOCIALIST CAMP SET STANDARD FOR WORKING CLASS SECURITY**

The most important point is that the world struggle between the rival social systems acted as a restraint upon the ruling class in the United States in its treatment of the workers and the oppressed so long as the USSR and the socialist countries set the world standard for the rights of the working class. Perhaps the most fundamental of these rights was the right to a job, something contrary to the very essence of capitalism. Shedding labor is part of the automatic mechanism of capitalism, and the creation of a reserve army of unemployed is an essential condition for the advance of capital accumulation.

Louis Uchitelle, a long-time authoritative writer on capitalist labor economics for the *New York Times*, wrote a book entitled *The Disposable Americans* that was largely about the evolution of the practice of layoffs in the United States. In it he gave an example of the effect of the collapse of the USSR on the working class. In explaining the escalation of U.S. layoffs, Uchitelle traced their evolution over the last decades of the twentieth century.

“The collapse of the Soviet Union in 1991, ending the Cold War,” wrote Uchitelle, “relieved the pressure on companies to preserve job security. Or, as Richard Freeman, a labor economist at Harvard put it: ‘You had a different attitude toward your employees when you thought that Communism was still out there as an alternative.’”<sup>83</sup>

The USSR, in addition to guaranteeing job security, also set the standard on guaranteed pensions, free health care, and many other rights. Every capitalist country had to take this into consideration in dealing with its own working class.

Jeff Faux, in his book *The Global Class War*, described the pressure exerted by the USSR on the capitalist world:

In 1916 Wilson had promised the electorate that he would not enter World War I. He broke the promise the next year. The socialist Eugene Debs, who had received almost a million votes in the election of 1912, publicly denounced Wilson for sending the working class to fight a rich man's war. He was promptly sent to the penitentiary.

The appeal of utopian socialism receded in the boom of the 1920s, but when the Great Depression struck, capitalism's governing class faced a graver challenge; the real-world alternative of communism. From the Russian Revolution in 1917 to the fall of the Berlin Wall in 1989, the distribution of income and wealth—and therefore political power—in the capitalist countries was constrained by the competition for the hearts and minds of the working class. Given the Soviet Union, communism was no longer just talk.<sup>84</sup>

The need to placate the working class was strongest in Western Europe and Japan, where class-consciousness and working class organization was very high. And nowhere was this more evident than in West Germany, which was in direct competition with the German Democratic Republic in the East, the most economically advanced country in the socialist camp. The German industrial working class and its unions were granted major concessions regarding representation on industrial councils along with the bosses, protections against layoffs, social insurance, and so forth. This German ruling class was indirectly subsidized by not having the burden of military spending because it took shelter under the military and nuclear umbrella of the Pentagon. Once the USSR collapsed, the German ruling class began an offensive to take back the concessions given during the Cold War against the USSR and the GDR. Needless to say, layoffs, which had been unknown in socialist East Germany, have now become rampant throughout capitalist Germany, east and west.

The existence of the USSR and the socialist camp set a standard for working class rights, even in the United States. It set a floor under which the capitalist class could not go and still hold the position, both internationally and domestically, that capitalism was better than socialism for the workers. As Uchitelle observed elsewhere, during the Cold War competition with the USSR, “American workers in a market economy had to be better off than their Soviet counterparts in a government-run system....”<sup>85</sup> In many ways the relationship of the USSR to the working class in the capitalist countries was similar to the relationship of a strong union movement to non-union workers in the same country. A strong union movement forces the capitalists to grant wages and conditions high enough to keep the union out. In this way, a strong union movement keeps the standards of the entire working class, even the unorganized, higher than they would ordinarily have been without the unions.

This, of course, did not prevent large sections of the African American working class and other oppressed nationalities from being super-exploited and subjected to racism and national oppression.

The capitalist class was compelled to put limits on its exploitation and repression sufficient to keep its own working class from turning against capitalism as a system and falling prey to socialist agitation. The collapse of the USSR was comparable to the demise of a powerful union movement in a capitalist country. It relieved all pressure on the bosses to meet any standards of job security, decent pay, vacations, health care, pensions, etc. There were no longer any limits to the concessions that could be demanded of the workers and their unions. The only limiting factor could be the struggle of the workers themselves. But in the United States the unions were already in retreat in the face of an offensive that began well before the fall of the Berlin Wall and the end of the USSR.

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<sup>1</sup> V.I. Lenin, “Imperialism, the Highest Stage of Capitalism,” *Collected Works* (Moscow: Progress Publishers, 1964), Vol. 22, p. 257.

<sup>2</sup> *Ibid*, p. 302.

<sup>3</sup> *Ibid*, p. 193.

<sup>4</sup> *Ibid*, p. 283.

<sup>5</sup> Karl Marx, *Capital* (Moscow: Progress Publishers, 1974), Vol. I, p. 424.

<sup>6</sup> Richard B. Freeman, “Doubling the Global Workforce: Presentation to Center for Global Development,” Nov. 8, 2004 <<http://www.iie.com/publications/papers/freeman1104.pdf>>.

<sup>7</sup> Information from tables at <<http://www.laborsta.ilo.org/>>.

<sup>8</sup> Information from tables at <<http://www.pwt.econ.upenn.edu/>>.

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- <sup>9</sup> Thomas L. Friedman, *The World Is Flat: A brief history of the twenty-first century* (New York: Farrar, Straus and Giroux, 2006), p. 211.
- <sup>10</sup> Ibid, p. 10.
- <sup>11</sup> Alan Tonelson, *The Race to the Bottom: Why a worldwide worker surplus and uncontrolled free trade are sinking American living standards* (Colorado: Westview Press, 2002), p. 55.
- <sup>12</sup> Ibid.
- <sup>13</sup> Ibid, p. 53.
- <sup>14</sup> Thomas Palley, "Super-sized: What happens when two billion workers join the global labor market?" <<http://www.thomaspalley.com/?p=18>>, posted Sept. 29, 2005. It is not clear what Palley's source for the two billion is. What is more important than the accuracy of his estimates is how the obviously undeniable explosion of the global work force since the collapse of the USSR is seen by an economic policy adviser to the labor leadership.
- <sup>15</sup> Ben S. Bernanke, "Global Economic Integration: What's new and what's not?" Remarks at the Federal Reserve Bank of Kansas City's Thirtieth Annual Economic Symposium, Jackson Hole, Wyo., Aug. 25, 2006.
- <sup>16</sup> Suzanne Berger, *How We Compete: What companies around the world are doing to make it in today's global economy* (New York: Doubleday, 2005), p. 19.
- <sup>17</sup> Calculated from percentages given by Berger and dollar amount given in World Trade Organization press release: "Trade growth in 2005 to slow from record 2004 pace," Oct. 27, 2005.
- <sup>18</sup> Tonelson, op. cit., p. 15.
- <sup>19</sup> Barry Lynn, *The End of the Line: the rise and coming fall of the global corporation* (New York: Doubleday, 2005), p. 7.
- <sup>20</sup> Berger, *How We Compete*, p. 20.
- <sup>21</sup> Tonelson, *The Race to the Bottom*, p. 16.
- <sup>22</sup> Friedman, *The World Is Flat*, p. 244.
- <sup>23</sup> Marx, *Capital*, Vol. I, p. 164ff.
- <sup>24</sup> Ibid, p. 524ff.
- <sup>25</sup> Friedman, *The World Is Flat*, p. 516.
- <sup>26</sup> Lynn, *The End of the Line*, p.126.
- <sup>27</sup> Berger, *How We Compete*, p. 151.
- <sup>28</sup> Bennett Harrison, *Lean and Mean: Why large corporations will continue to dominate the global economy* (New York: Guilford Press, 1994), p. 156.
- <sup>29</sup> Ibid, p. 158.
- <sup>30</sup> Berger, *How We Compete*, p. 83.
- <sup>31</sup> Friedman, *The World Is Flat*, p. 243.
- <sup>32</sup> Ibid, p. 447.
- <sup>33</sup> Berger, *How We Compete*, p. 147; Friedman, *The World Is Flat*, p. 244.
- <sup>34</sup> Berger, *How We Compete*, pp. 148, 212.
- <sup>35</sup> "Factories Go South; So Does Pay," *Business Week*, April 9, 2007.
- <sup>36</sup> "Go Bankrupt, Then Go Overseas," *Business Week*, April 24, 2006.
- <sup>37</sup> "Visteon Announced Cuts," *Detroit News Online*, Nov. 1, 2006.
- <sup>38</sup> Friedman, *The World Is Flat*, p. 227.
- <sup>39</sup> Berger, *How We Compete*, p. 211.
- <sup>40</sup> Flextronics' website lists ninety locations, including sixteen in China, seven in Malaysia, three in Brazil, three in Mexico, two in the Czech Republic, three in Hungary, two in India, five in Ireland, all the major imperialist countries in Europe, and ten in the U.S. at <[www.flextronics.com](http://www.flextronics.com)>.
- <sup>41</sup> Jeff Ferry, "Flextronics: Staying Real in a Virtual World," *strategy+business*, Winter 2004.
- <sup>42</sup> In February 2007 Flextronics set up an Internet supply portal in Tczew, Poland, that offers its corporate customers on-line ordering. Some twenty-three production facilities can order 60,000 different parts from 1,400 suppliers. <[www.flextronics.com/partners](http://www.flextronics.com/partners)>
- <sup>43</sup> Ferry, *strategy+business*, Winter 2004. The monopolies have their pick of suppliers and make them prove themselves before selecting them. For example, Nortel first began testing Flextronics manufacturing capabilities (its workers' abilities, that is) in 2003, using it to do some wireless and switching work. Flextronics passed the cost-reduction test and was awarded a major contract in 2004.
- <sup>44</sup> Ibid.
- <sup>45</sup> Company website <[www.selectron.com](http://www.selectron.com)>.
- <sup>46</sup> Berger, *How We Compete*, p. 79.
- <sup>47</sup> Ibid, p. 29.
- <sup>48</sup> Ibid, p. 148.

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- <sup>49</sup> Friedman, *The World Is Flat*, p. 229.
- <sup>50</sup> Lynn, *The End of the Line*, p. 151.
- <sup>51</sup> *Ibid*, p.131.
- <sup>52</sup> *Ibid*, p.144.
- <sup>53</sup> *Ibid*, p.145.
- <sup>54</sup> *Ibid*, p.142.
- <sup>55</sup> *Ibid*, p.152.
- <sup>56</sup> *Ibid*, p. 11.
- <sup>57</sup> “Industry and Trade in a Global Economy with Special Reference to Sub-Saharan Africa,” UNIDO, 2005.
- <sup>58</sup> UNIDO, p. 5.
- <sup>59</sup> Berger, *How We Compete*, p. 186.
- <sup>60</sup> *Ibid*, p. 142.
- <sup>61</sup> *Ibid*, p. 191.
- <sup>62</sup> *Ibid*.
- <sup>63</sup> Harrison, *Lean and Mean*, p. 14. Harrison’s work, written in 1994, was devoted to debunking the false notion that the “new era” of high-tech capitalism opened the way for the small, “creative” firm to lead the world forward into prosperity. He demonstrated the old-style dominance of the monopolies in the age of high-tech. Much of his work depended on showing the outsourcing crisis. But he had great difficulty in compiling information. At that time he wrote, “Much of the most revealing information about globalization’s course, impact, and probable future is locked away in the records of the world’s multinational corporations. U.S.-owned multinationals have dissuaded the government from seeking much of the data and from releasing much of the data that Washington does possess.” The corporations use the excuse of the need for competitive secrecy to hide their schemes to search for low-wage labor. Harrison shows that it would be a “public relations disaster” for them if their deeds got out.
- <sup>64</sup> Luis Uchitelle, “A Statistic That’s Missing: Jobs That Moved Overseas,” *New York Times*, Oct. 5, 2003. Ten years after Harrison’s work, nothing had changed. Luis Uchitelle, the chief *Times* economic writer, referred to the debate over the jobless recovery two years after the recession of 2000-2001 ended. The debate was raging “but in all the heated back and forth, an essential statistic is missing: the number of jobs that would exist in the United States today if so many had not escaped abroad.” And he noted that, while experts were still trying to find a way to gauge the impact with wide-ranging estimates, the so-called “expert consensus” was that 15 percent of the 2.81 million jobs officially listed as lost since the downturn had been offshored to low-wage countries. Yet the Labor Department, in its numerous surveys of employers and employees, has never tried to calculate the number.
- <sup>65</sup> Paul Craig Roberts, “The New Face of Class War,” *Counterpunch* Online, Sept. 30/Oct. 1, 2006 <<http://www.counterpunch.org/roberts09302006.html>>. Roberts is a former assistant secretary of the Treasury in the Reagan administration, a writer for the *Wall Street Journal*, and a rogue conservative who has turned against the Iraq war and flirts with populist politics.
- <sup>66</sup> “Pain From Free Trade Spurs Second Thoughts,” *Wall Street Journal*, March 28, 2007.
- <sup>67</sup> “Offshoring: The Next Industrial Revolution?,” *Foreign Affairs*, March/April, 2006.
- <sup>68</sup> “Pain From Free Trade Spurs Second Thoughts,” *op. cit.*
- <sup>69</sup> Peter Engardio, ed., *Chindia: How China and India are revolutionizing global business* (New York: McGraw-Hill, 2007), p. 39. This book is basically a compilation of numerous articles carried by *BusinessWeek* magazine, many of which were written by Engardio, their expert on offshoring.
- <sup>70</sup> *Ibid*, p. 44.
- <sup>71</sup> *Ibid*, p. 38; see various articles from *BusinessWeek* and *BusinessWeek* Online between 2003 and 2005, cited as source material for Chapter 3, “The New Global Paradigm.”
- <sup>72</sup> “Study: Offshoring of U.S. Jobs Accelerating,” *Associated Press*, May 18, 2004.
- <sup>73</sup> Engardio, *Chindia*, p. 42.
- <sup>74</sup> Friedman, *The World Is Flat*, p. 24.
- <sup>75</sup> “The Future of Offshoring,” *BusinessWeek*, Jan. 30, 2006.
- <sup>76</sup> *Ibid*.
- <sup>77</sup> “Online Extra: Pennske’s Offshore Partner in India,” *BusinessWeek* Online, Jan. 30, 2006.
- <sup>78</sup> “Open Season on Outsourcers: More Western giants are snapping up Indian companies that specialize in back-office operations,” Ministry of External Affairs, New Delhi, Sept. 9, 2006.
- <sup>79</sup> For this and the following information on Eastern Europe, see a lengthy article by John Tagliube, “The Eastern Bloc of Outsourcing; Europe Finds Its Own Answer to Bangalore and It’s Growing Fast,” *New York Times*, April 19, 2007.
- <sup>80</sup> Friedman, *The World Is Flat*, p. 32.
- <sup>81</sup> “Pain From Free Trade Spurs Second Thoughts,” *Wall Street Journal*, March 28, 2007.

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<sup>82</sup> “Offshoring: The Next Industrial Revolution?,” *Foreign Affairs*, March/April, 2006.

<sup>83</sup> Louis Uchitelle, *The Disposable American: Layoffs and Their Consequences* (New York, Alfred A. Knopf, 2006), p. 145.

<sup>84</sup> Jeff Faux, *The Global Class War* (Hoboken: John Wiley & Sons, 2006), p. 78.

<sup>85</sup> Uchitelle, *The Disposable American*, p. 36.