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# WORKERS AND LABOUR IN A GLOBALISED CAPITALISM

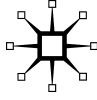
Contemporary Themes  
and Theoretical Issues

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# 2

## THEORISING THE WORKING CLASS IN TWENTY-FIRST-CENTURY GLOBAL CAPITALISM

*Beverly Silver*

Since the 1990s it has been commonplace for scholars and political commentators around the world to speak of the death of labour and class-based movements. In 2010, however, the world's major newspapers were suddenly filled with reports of labour unrest around the world. In the first half of 2010 there were a series of front page articles on widespread labour unrest in Chinese factories following strikes at major automakers such as Honda and Toyota; intense protests by Bangladeshi garment workers including violent clashes with police that forced the shutdown of the country's busiest export processing zone; reports on escalating labour unrest in India including worker occupations at Hyundai and go-slows at the German car parts supplier Bosch; mass demonstrations against austerity from Greece, Portugal and Italy to Spain, France and the UK. In August and September, there were reports of widespread labour unrest in Egypt, riots against rising food prices in Mozambique, and a general strike of public sector and mineworkers in South Africa. In late December there were reports of mass protests against unemployment and rising food prices in Tunisia – the start of what would be called the 'Arab Spring'.<sup>1</sup>

The United States – the world hegemonic power of the twentieth century – was notably absent from the list of countries making it into the international

press reports of labour unrest in 2010. By 2011, however, with mass protests against the elimination of collective bargaining rights for public sector workers in the state of Wisconsin (February 2011) and the launching of the Occupy movement in New York City (September 2011), labour unrest in the United States was also front-page news in the international press. It is no coincidence that by this time it also became increasingly common to hear scholars and pundits alike suggest that we were in the midst of a historically significant worldwide wave of class-based protest and labour unrest.<sup>2</sup>

The dominant approach in the social sciences since the 1980s had been to assume that labour and class-based mobilisations are a relic of the past. ‘Globalisation’, it was argued, had unleashed an intense competition among workers worldwide, and was resulting in a relentless downward spiral in workers’ power and welfare. This came to be referred to as the ‘race-to-the-bottom’ thesis. Most social scientists were focused on explaining the weakness of labour and the absence/impossibility of autonomous labour militancy, and thus found themselves flat-footed in marshalling the analytical frameworks needed to make sense of the recent upsurge of labour unrest.

This chapter lays out the conceptual and theoretical components for an alternative world-historical approach to the study of working-class formation; one that emphasises the recurrent making and *remaking* of working classes *across time and space* with the evolution of historical capitalism. Seen from this perspective, workers and workers’ movements were central actors not only in the evolution of global capitalism in the twentieth century; they will continue to play a central role in twenty-first-century global capitalism.<sup>3</sup>

## THE COMMODIFICATION OF LABOUR AND THE ENDEMIC NATURE OF WORKERS’ RESISTANCE IN HISTORICAL CAPITALISM

Both Karl Marx (1867) and Karl Polanyi (1944) contended that one of the historical specificities of capitalism as a social system is the commodification of labour. Moreover, both argued that labour is a ‘fictitious commodity’ and that treating human beings as commodities like any other would necessarily lead to deeply felt grievances and resistance. From this perspective, labour unrest is a fundamental aspect of the labour–capital relationship and should be expected anytime and anywhere we find the commodification of labour.

In Marx’s analysis in volume 1 of *Capital*, labour–capital conflict is to be found first and foremost in the ‘hidden abode of production’. The commodity ‘labour power’ (which he assumes is purchased on the labour market for its

full cost – i.e., for the costs of its reproduction) is embodied in human beings who complain and resist if they are made to work too long, too hard or too fast. Yet, capitalists, under competitive pressure from other capitalists (and without countervailing restraints imposed by workers themselves), inevitably tend to push workers too long, too hard or too fast. Struggles over the extent and intensity of exploitation in the workplace, thus, are endemic to the labour-capital relation.

For Polanyi, in contrast, the fundamental focus of struggles is the labour market. Since the commodity labour is ‘no other than the human beings themselves of which every society exists’, to ‘include them in the market mechanism means to subordinate the substance of society itself to the laws of the market’ (Polanyi, 1944: 71). Each extension or deepening of unregulated labour markets has necessarily been countered by a movement toward the ‘self-protection of society’ through a variety of mechanisms including social legislation, factory laws, unemployment insurance and trade unions (Polanyi, 1944: 130, 176–7). This is especially so when the ‘laws of the market’ result in mass unemployment or the payment of below-subsistence wages.

In sum, from both a Marxian and a Polanyian perspective, labour unrest is an endemic feature of historical capitalism. However, because historical capitalism is characterised by recurrent dramatic changes in the organisation of production and consumption, the shape of labour unrest, including the form that struggles take as well as their primary (geographical and industrial) location, has also undergone periodic dramatic transformations.

## HISTORICAL CAPITALISM, CREATIVE-DESTRUCTION AND THE MAKING, UNMAKING AND REMAKING OF THE WORLD WORKING CLASS

The idea that capitalism is characterised by ceaseless change is captured by Joseph Schumpeter’s (1954) concept of creative-destruction; and by Marx’s and Engel’s famous phrase in *The Manifesto*: ‘all that is solid melts into air’. This process of ceaseless change has, in turn, resulted in the recurrent making, unmaking and *remaking* of working classes on a world scale. Those, who over the past several decades, have been confidently pronouncing the death of the working class and labour movements have tended to focus single-mindedly on the *unmaking* side of this process – most notably the unmaking of the industrial mass production working classes in much of the Global North. But if we work from the premise that the world’s working classes and workers’ movements are recurrently made, unmade and remade, then we have a powerful



antidote against the common tendency to prematurely pronounce the death of the working class every time a historically specific working class is ‘unmade’.

From this perspective, we are primed to be on the lookout for the outbreak of fresh struggles – both by new working-classes-in-formation and by old working classes being unmade; that is, struggles by those experiencing the ‘creative’ and ‘destructive’ sides of the process of capital accumulation, respectively. Indeed, as will be discussed below, today we see both of these types of workers’ struggles, with the strike wave by China’s new migrant working class most closely corresponding to the ‘new working-class-in formation’ type and the anti-austerity protests in Europe most closely corresponding to the ‘old working classes being unmade’ type.<sup>4</sup>

One of the key driving forces behind the tendency toward ‘ceaseless change’ is labour-capital conflict.<sup>5</sup> Historically, capitalists have responded to strong labour movements by pursuing various strategies designed to reduce labour costs and increase control at the point of production. Four key strategies stand out: what we have called (1) the ‘spatial fix’ or geographical relocation of capital in search of cheaper and more controllable labour; (2) the ‘technological fix’ or the reorganisation of the production process, including the introduction of labour-saving technologies; (3) the ‘product fix’ or the movement of capital out of established industries subject to intense competition and into new industries and product lines; and (4) the ‘financial fix’ or the movement of capital completely out of trade and production and into finance and speculation.

Each of these strategies has uneven effects, systematically making and unmaking working classes, and strengthening/weakening workers’ bargaining power, across industries and geographical space. These ‘fixes’ are attempts by capital to resolve crises of profitability and control, but they only succeed in ‘rescheduling’ the crises in time and space. In other words, they are only temporary and/or local solutions to capitalist crises.<sup>6</sup> We focus on the spatial and technological fixes in the next two sections of this chapter, and on the product and financial fixes in the penultimate sections.

## THE SPATIAL FIX

The geographical relocation of production to lower-wage regions has been widely seen as having unleashed an intense competition among workers worldwide, undermining workers’ bargaining power and resulting in a relentless downward spiral in wages and working conditions. But the historical evidence supports a fundamentally different thesis that can be summed up

in the phrase: *where capital goes, labour-capital conflict shortly follows*. Over the course of the twentieth century we can see a *déjà vu* pattern whereby manufacturing capital recurrently pursued spatial fixes – that is, moved into new geographical locations in search of cheaper/more docile labour – but rather than creating a straightforward race to the bottom, the result was the creation of new working classes and strong new labour movements within a generation in each new favoured site of production. Put differently, the ‘creative’ side of the creative-destructive process associated with the spatial fix not only creates production in new sites; it also creates new working classes and workers’ movements.

This pattern can be seen clearly in the world automobile industry,<sup>7</sup> which spread across the globe in successive spurts, from its origins in the United States in the 1910s and 1920s (where capital was attracted to the cheap and repressed labour of the time in the Detroit area) to the big expansion of Fordist mass production of automobiles in Western Europe in the 1950s; to the ‘manufacturing miracles’ in Brazil and South Africa in the 1960s and South Korea in the 1970s; and finally to China, with the massive expansion of the automobile industry from the late 1990s to the present.

Although a significant part of the motivation behind the move to each new location was the availability of cheap and disciplined labour, strong and effective labour movements emerged in each site within a generation. This happened in the United States with the 1936–7 automobile sit-down strikes that set off a nationwide strike wave leading to the institutionalisation of unions in mass production industries by the mid-1940s. And it happened again with the ‘resurgence of class conflict’ in Western Europe in the 1960s and 1970s; and with the emergence of militant independent workers’ movements in the face of authoritarian and labour-repressive regimes in Brazil, South Africa and South Korea in the 1970s and 1980s.

The recent wave of strikes in China is among the latest affirmations of the postulate that ‘where capital goes, labour-capital conflict follows’ (Silver and Zhang 2009). The case of China is particularly instructive. Almost all observers thought that the migrant workers who flocked to the booming export-oriented factories in the coastal areas in the late 1990s were part of a virtually inexhaustible supply of cheap labour in China’s rural areas. As such, most argued that it would be a long time (if ever) before they would openly protest their wages and working conditions. To be sure, there was a significant amount of labour unrest in China in the mid- and late-1990s, but it was almost entirely in the form of protests by workers being laid off from state-owned enterprises as part of the ‘economic reform’ process. These were protests by

the working class that had originally been ‘made’ during the Mao era, but were now being ‘unmade’ as enterprise restructuring and market reforms led to mass lay-offs. Put differently, these were the workers suffering the ‘destructive’ consequences of the capitalist process of creative-destruction.<sup>8</sup>

However, starting around 2004, a wave of strikes hit factories in China’s Pearl River Delta, followed by a more massive wave of strikes beginning in 2010, including major strikes in the automobile industry in the summer of 2010. The latter touched off a nationwide wave of strikes, most of which were successful in bringing about rising wages and the recognition of trade union representatives chosen by the workers themselves. The movement of capital into China had created a new and increasingly militant working class – the outcome of the ‘creative’ side of the creative-destructive process.

One response of capitalists to the wave of labour unrest in China has been the same response that we have seen for a century or more – the relocation of production in search of cheaper and more docile labour. There are widespread reports of factories moving from the coastal areas of China to interior provinces within China and to poorer countries elsewhere in Asia such as Vietnam, Cambodia and Bangladesh. But almost immediately, the thesis that ‘where capital goes, conflict follows’ received fresh confirmation with reports of strikes hitting foreign-owned businesses in each of these countries as well as in the interior provinces within China.<sup>9</sup> By the end of 2012, commentators were noting that there was ‘nowhere left to run for factory owners in Asia . . . Manufacturers are slowly beginning to understand that wherever they go in the search for cheap and compliant labour, workers will not remain cheap and compliant for very long.’<sup>10</sup>

## THE TECHNOLOGICAL FIX

The social science literature on labour movements over the past several decades has also tended to work from a perspective that one-sidedly emphasises the *weakening* effects of transformations in the organisation of production and the labour process on workers’ power. However, as is the case for the spatial fix, so technological fixes have had a contradictory effect on workers’ power.

Let’s take the historical example of the take-off of mass production industrialisation in the United States in the early twentieth century. The introduction of the assembly line and associated technological/organisational transformations led to a clear weakening of the *labour market* bargaining power of the

established working class as the skills of many craft-workers were made obsolete. Moreover, capitalists were suddenly able to draw on vast pools of newly minted unskilled and semi-skilled factory workers, including immigrants from around the world; they were able to lower labour costs dramatically and increase their control over the labour process. Notwithstanding all these factors that weakened workers' power in the labour market vis-a-vis capital, mass production workers spearheaded a major and highly successful strike wave in the 1930s and 1940s in the United States (with the first major successful strikes taking place in 1936–7; that is, during a period of mass unemployment in the midst of the Great Depression).

The success of these strikes relied heavily on *workplace bargaining power* – that is, workers' ability to cause costly disruptions via direct action at the point of production. Indeed, the very same transformations that had weakened labour's marketplace bargaining power in the early twentieth century simultaneously strengthened labour's workplace bargaining power. The assembly line allows a relatively small number of strategically placed activists to disrupt the output of an entire plant. And with the increasing integration of production among plants within a corporation, a strike in a plant producing a key input can bring all downstream factories, even an entire corporation, to a standstill. Moreover, with the increasing concentration and centralisation of production, the economic losses a work stoppage imposes on capital (and sometimes on whole national economies) also increases in scale (Edwards 1979; Arrighi and Silver 1984).

Strong workplace bargaining power was on display when workers occupied the General Motors factory that produced the bulk of Chevrolet's engines in December 1936. Production at all assembly plants across General Motors was quickly brought to a virtual halt and the corporation was forced to abandon its uncompromisingly anti-union stance and negotiate with the United Autoworkers Union. The power to cause costly disruptions in production with relatively small-scale stoppages was also seen in autoworker strike waves in Western Europe in the late-1960s and 1970s, in South Africa and Brazil in the 1970s and 1980s and South Korea in the 1980s and 1990s (Silver, 2003: chapter 2).

Workplace bargaining power was also on full display in May 2010 when a strike at a single factory that produced 80 per cent of the automatic gear boxes for Honda's four final assembly operations quickly shut down Honda's entire operations in China. And it was on display in June when another strike, this time at an exhaust components supplier, forced Honda to shut down all assembly operations in China again. Both strikes resulted in significant victories for workers.<sup>11</sup>

The wave of strikes by workers in China beginning in 2010 was not only a reminder of the significant disruptive power of workers under Fordism, but also evidence that the transformations associated with 'globalisation' and 'post-Fordism' have not had a straightforward weakening impact on workers' bargaining power as has been widely assumed. It is not a coincidence that the highly effective strikes by Chinese autoworkers mentioned above originated in parts factories (engine and exhaust) involved in 'just-in-time' (JIT) production. JIT production – pioneered by Japanese auto assemblers, and widely adopted since the 1980s – involves keeping on hand little or no inventory of parts for assembly in order to save money by eliminating the redundancies that were built into Fordism. Parts are delivered 'just-in-time' from supplier to assembly factories. But with the elimination of the buffer supply of parts, a strike that stops production in one key parts factory can bring assembly operations throughout the corporation to a halt within a matter of days or less.

Another example of how technological/organisational change associated with globalisation has strengthened workers' power at the point of production is the vulnerability of the tightly integrated supply chain that has emerged with the global outsourcing of production. A recent example is the April 2011 strike by truck drivers serving the port at Shanghai, during which the strong workplace bargaining power of transportation workers involved in the global supply chain was on clear display. After only a few days, the financial press began reporting mounting concerns that the strike could cause significant disruptions not only to Chinese exports but to the entire global supply chain.<sup>12</sup>

Among the responses of capitalists to the strong workplace bargaining power of labour has been the further introduction of new technologies aimed at automating production and decreasing the reliance of capital on human labour – that is, further technological fixes. Let's take the example of the Taiwanese company FoxConn (Hon Hai Electronics), which is a major sub-contractor for Apple and other big electronic firms. When faced with a wave of labour unrest in its Guangdong plants starting in 2009, FoxConn responded, in part, by relocating some of its factories to interior provinces within China (that is, with a spatial fix). As we would expect, based on the analysis in the previous section, FoxConn's geographical relocation did not resolve its problems with labour control. Labour unrest emerged almost immediately in the company's newly established factories in interior provinces in China.<sup>13</sup>

FoxConn also responded with a technological fix. In 2011 the company's chairman announced plans to install robotic arms in its Chinese plants, where over one million workers were employed. The announced target of installing one million robots by 2014 was a bit of hyperbole. Indeed, in June 2012 FoxConn's chairman admitted that achieving that target would take

significantly longer than he had initially proclaimed. Nevertheless, a push forward with automation has been visible. At the company's Shenzhen Longhua plant, for example, workers reported that robotic arms were replacing labour: 'There were about 20 to 30 people on the line before. But after they added the robots [in 2012] it went down to five people who just pushed buttons and ran the machines.'<sup>14</sup>

So far, in this section we have argued that the effect of the introduction of labour-saving technology on workers' power has been twofold. On the one hand, it increases the 'workplace bargaining power' of those who still have jobs, as the greater integration and capital intensity of production heightens the vulnerability of capital to disruptions at the point of production, including small-scale and localised stoppages. On the other hand, to the extent that the overall demand for labour decreases and/or existing scarce skills are made obsolete, the bargaining power of workers in the labour market is weakened. Understanding the combined impact of these two countervailing trends on workers' power is a key for understanding the future of the working-class in twenty-first-century global capitalism.

Let's deal first with the impact of technological change on the labour market bargaining power of workers, especially the global balance of labour supply and demand. On the one hand, the commonly heard prediction that we are moving towards a world without workers is not credible. FoxConn, for example, scaled back its automation program, in part because it realised that it is not efficient and/or practical to automate all tasks: in product lines that change rapidly, a huge capital investment in specialised robots would not pay off in time, and many activities in manufacturing (not to mention in personal services) still require a 'human touch'.<sup>15</sup>

On the other hand, even optimists about the benefits of technological change have expressed alarm about the speed with which jobs are being eliminated by advances in artificial intelligence, and the paucity of compensating with new jobs being created. Tasks previously thought to be impervious to automation are now said to be next in line, ranging from 'self-driving vehicles that will eventually put taxi and truck drivers out of work' to automated systems that have already 'demonstrated that they can do approximately what legal researchers, pharmacists and biology researchers do' (Lanier, 2013; Krugman, 2013). Indeed, automation and the use of artificial intelligence to replace workers appears to have replaced geographical relocation of production as the most prominent explanation in the literature to account for the recent explosion in the ranks of the unemployed and under-employed in the Global North and the phenomenon of 'jobless growth'.

## THE INSTITUTIONAL CONTEXT

But technological advances in themselves are not the root cause of 'jobless growth'. Rather the root cause is the *political decisions about how the economic gains from technological advances will be distributed*. A comparison of the late nineteenth/early twentieth century with the mid-twentieth century will help clarify this point. Like today, the last decade of the nineteenth century and the first decades of the twentieth century were a time of rapid technological change *and growing class inequality*. The benefits from increases in labour productivity accrued disproportionately to the wealthiest (that is, the rich got much richer). In the US, for example, the share of disposable income accruing to the top 1 per cent rose during the first three decades of the twentieth century, hitting a peak of 23 per cent in 1929 (Wade 2009). Technological change and labour weakness seemed to go hand in hand.

But, then, for the next half-century (from the 1930s through the 1970s) the trend went in reverse; that is, although technological change continued at a rapid pace, the distribution of income became more equal. The share of the top 1 per cent fell almost continuously until it reached only 9 per cent in the late 1970s, while the share going to those in the middle expanded substantially (Wade 2009). What accounts for the trend toward greater inter-class income *equality* in this period notwithstanding the fact that labour-saving technologies continued to be introduced at a rapid pace within the US and worldwide? It is the political–institutional context that fundamentally sets this period apart.

More specifically, the trend towards greater equality in this period was fostered by the institutional reforms at the factory, nation state, and international levels that were implemented in the post-Second World War era – that is, the Keynesian (mass consumption/production) social compact with labour in the Global North and the development project in the Global South.<sup>16</sup> Indeed, one central element of the post-Second World War mass consumption/production social compact was a compromise between labour and capital over the question of technological change. In this compromise, workers accepted management's right to make autonomous decisions about the organisation of production, *including the unfettered right to introduce labour-saving technologies*; however, in exchange, management was expected (or contractually obliged) to increase real wages in step with increases in labour productivity. As a result, *during the decades when the labour–capital social compact was in effect, economic gains reaped from the introduction of labour-saving technologies were far more evenly distributed*.

The trend toward a more equal and broad-based sharing of the benefits from technological change at the factory-level was reinforced at the national level by the active role that states played in job creation. Moreover, international monetary and trade institutions were re-designed to mesh with the pursuit of Keynesian policies, explicitly recognising the right and duty of nation states to protect their citizens from the ravages of unregulated world-market forces. Thus, for example, the post-Second World War (Bretton Woods) international monetary system was based on the premise that governments would (indeed, should) use the macroeconomic tools at their disposal to promote high levels of employment. As a result, job losses from technological change were offset by job expansion in both the private and public sectors, including the expansion of state employment financed via more-or-less progressive taxation (Ruggie, 1982; Maier, 1987: 121–52; Burley 1993).

But what accounts for the emergence of a more ‘labour-friendly’ institutional context in the mid-twentieth century? The post-Second World War social contracts were fundamentally a reformist response by the world’s elites to decades of revolutionary challenges from below. The first half of the twentieth century had been characterised by wars and economic depression, but also by widespread and escalating anti-capitalist challenges from labour, socialist and national liberation movements. With the victory of the Soviet Revolution in the midst of the First World War followed by the victory of the Chinese Revolution in the aftermath of the Second World War, those in power in the capitalist world became convinced that serious institutional change was necessary if capitalism was to be saved. Keynesianism was seen as supplying an attractive third way between the Soviet model of centralised planning (which had gained in power and prestige in the 1930s and 1940s) and traditional laissez-faire policies (which had lost all credibility in the course of the Great Depression and the related social-political catastrophes of the era). US economic advisers fanned ‘out to the far corners of the U.S.-controlled portion of the globe’ preaching the Keynesian gospel (Hirschman, 1989). The promise held out by US world leadership was to universalise US consumption norms and make possible the ‘American dream’ for all.

But this promise was fraudulent in the context of historical capitalism. To generalise the labour–capital social compacts of the post-war era on a global scale would bring about an intense squeeze on profits, given their strong redistributive effects. Moreover, the production and consumption model associated with the ‘American way of life’ could only function as long as the vast majority of the world’s population were excluded from full participation. Any serious effort to generalise this extremely resource-intensive and wasteful form of production was not only ecologically unsustainable, it would also



touch off intense competition over finite natural resource inputs – something that would first become clear with the oil price shocks of the 1970s. Indeed, by the late 1960s and 1970s capitalism was facing a serious worldwide crisis of profitability – together with an environmental crisis – as workers’ movements in both the First and Third World mobilised to demand what, in essence, was a quicker fulfilment of the explicit and implicit promises of US hegemony.<sup>17</sup>

In response to the crisis of the 1970s, economic and political elites abandoned the mass consumption social contract and the development project, and launched the neo-liberal counter-revolution. Starting in the 1980s (with the Reagan/Thatcher era) and accelerating in the 1990s (following the collapse of the Soviet Union), the post-war social compacts broke down at the factory, the national and the international level. The international monetary institutions established at Bretton Woods after the Second World War (especially the International Monetary Fund) shifted from promoting high levels of employment to imposing austerity (Arrighi, Silver and Brewer, 2003).

By the end of the twentieth century the gains from technological change were once again flowing to those at the top of the income and wealth hierarchy. This was a global phenomenon with the rise and spread of the neo-liberal project, but the United States led the pack. After decades of declining inequality, the share of income going to the top 1 per cent in the US began to rise in the 1980s, it ballooned in the 1990s, and by 2006 the share of the top 1 per cent reached 23 per cent, the same as in 1929 (Wade 2009). The pendulum had swung back.

In sum, throughout the twentieth century, spatial and technological fixes proceeded apace; however, for approximately four decades following the Second World War – the so-called Golden Age of Keynesianism and Development – these fixes went hand in hand with a trend toward the redistribution of income in favour of labour. During these decades the institutional arrangements at the factory, national and international levels were what we might call ‘labour friendly’, promoting rising real wages and low levels of unemployment. These institutional arrangements, in turn, were a reformist response to escalating labour militancy and social revolutionary challenges on a world scale in the first half of the twentieth century.

These labour-friendly institutional arrangements brought under control the revolutionary challenge facing the world capitalist system in the first half of the twentieth century. However, by the 1970s, these reforms had brought about a deep crisis of profitability for the world capitalist system. If the post-Second World War response was reformist, then the post-1980s response to the crisis of profitability was counter-revolutionary. In the subsequent decades, the labour-friendly institutional arrangements at the factory, national and

international levels were dismantled in favour of neo-liberal polices. The outcome was geographically uneven, but the trend was clear: declining real wages, skyrocketing unemployment and redistribution of income from labour to capital. The gains from technological fixes and other economic advances were again flowing overwhelmingly to capital.

### THE PENDULUM SWING FROM CRISIS OF PROFITABILITY TO CRISIS OF LEGITIMACY

Underlying this twentieth-century pendulum swing from greater inequality to greater equality and back again is a fundamental contradiction of historical capitalism – that is, an inherent tension between profitability and legitimacy. As argued at the outset of this chapter, labour unrest is an endemic aspect of historical capitalism as workers resist being treated as a commodity on the labour market and in the workplace. However, capitalist production cannot proceed smoothly or effectively without a minimum level of co-operation from workers. Efforts to control labour through pure repression are not sustainable *over the entire space-time* of capitalism since capitalist development tends to recurrently create strong new workers' movements. Moreover, as argued in the previous two sections, spatial and technological fixes designed to undermine and/or bypass militant workers' movements have unintended consequences, at best 'rescheduling' the time and place of mass labour unrest rather than eliminating it.

At the same time, however, making significant concessions (including redistributing economic gains from capital to labour) – as was promised with the post-Second World War mass consumption/mass production social compact – is not sustainable *over the entire space-time* of the capitalist system. Profits can be made only as long as a small minority of the world's workers are paid at (or near) their full costs for the reproduction of their labour power. However, extending the mass consumption/production social contract to the majority of the world's workers – as was the promise inherent in the post-Second World War development project – necessarily brought about a deep crisis of profitability for capitalism. At the same time, the failure to make good on the promise to universalise the American way of life was engendering a deep crisis of legitimacy for capitalism.

Thus, one type of crisis (profitability/legitimacy) can only be resolved by measures that eventually bring about the other type of crisis. The result has been an oscillation between historical phases characterised by the establishment of new social compacts that partially de-commodify labour

and produce growing inter-class equality (e.g., the 1930s–80s) and historical phases characterised by the breakdown of established social compacts, the re-commodification of labour and growing inter-class inequality (e.g., the 1980s to the present). Put differently, the result has been a pendulum swing between world-systemic crises of profitability (1870s, 1970s) and world-systemic crises of legitimacy (1930s and today).<sup>18</sup>

### A NEW SWING OF THE PENDULUM?

What are the implications of the foregoing analysis for theorising the world working class in the early twenty-first century? One implied hypothesis is that we are in the midst of another deep crisis of legitimacy for capitalism, and that the 2010–11 global wave of labour unrest (with which we began this chapter) is a prelude to a growing wave of anti-capitalist movements; and that this wave of unrest will push the world's elites away from neo-liberalism towards a new set of labour-friendly social and developmental compacts analogous to the mid-twentieth century compacts; resulting, in turn, in a swing of the pendulum back toward a phase of growing inter-class equality in which the share of economic gains going toward labour once again rises.

How plausible is this hypothesis? The remainder of this chapter will lay out several reasons why it is plausible to hypothesise that we have reached the end of the neo-liberal pendulum swing, but also several reasons to suspect that a simple swing back to the mid-twentieth century labour and developmental social compacts is not possible.

One characteristic of the early twentieth-century upsurge of labour and social revolutionary struggles was that it was a combination of unrest rooted in the *creative* and the *destructive* side of capitalist development. In other words, it was a combination of protests by new working classes being made in the industrial and geographical sites where capitalist production was growing quickly (especially in mass production and mining) and protests by established working classes being unmade (especially in craft-based industries). Moreover, this unrest clustered in time, creating simultaneous world-scale explosions of protest, in particular on the eve and aftermath of the First and Second World Wars.

While there were major outbursts of labour unrest throughout the decades of the mass consumption/production social contract, these unrest waves at the local and national level did not cluster in time. The reformed political–institutional context of the post-war decades had taken much (albeit not all) of the steam out of revolutionary challenges. Moreover, successive spatial

fixes played out in a way that produced a geographically uneven strengthening/weakening of labour as well as a lack of solidarity between the (strengthened) working-classes-in-formation and (weakened) working classes in the process of being unmade. The latter tended to see the former as competitive threats rather than comrades.<sup>19</sup>

Does the 2010–11 wave suggest that we are on the cusp of a return to a period in which major waves of labour unrest (rooted in both the creative and destructive sides of capitalist development) cluster in time, creating world-scale explosions of labour unrest? There is some evidence that this may be the case. First, there was a geographical simultaneity to the labour protest – spanning every continent in 2010–11 – that we have not seen since the end of the Second World War. Second, the protests were an outcome of both the creative and destructive impacts of capitalist development on the world working class. On the one side, there was the widespread and militant labour unrest in sites of rapid industrial expansion such as China, Vietnam, Bangladesh and India; on the other side, the widespread protests against austerity and the breakdown of the welfare state, most notably in Eurozone countries.

Last but not least, the world's elites show no signs of being willing and/or able to implement a reformist response that might overcome the widening and deepening crisis of legitimacy facing the world capitalist system. Indeed, since the 2008 financial meltdown – the deepest crisis to hit the core countries since 1929 – the world's elites have followed a strategy of doubling-down on neo-liberalism; that is, tightening the austerity noose in the Eurozone and elsewhere, while continuing to channel the gains from technological change to the wealthiest. (Indeed, by 2011 the share of income going to the top 1 per cent in the United States had reached the highest level on record, surpassing the 1929 and 2006 record highs.) Under these conditions, there are good reasons to believe that the wave of unrest in 2010–11 was no mere flash in the pan; but rather a sign that the steam is building up toward a long period of growing, worldwide and explosive anti-capitalist challenges from below.<sup>20</sup>

To be sure, there have been some signs of a counter-movement. In China, for example, the government has attempted to diffuse the mass wave of labour unrest through a labour law reform that is in many ways analogous to the US government response to labour unrest in the 1930s. Both the 1935 National Labour Relations Act (the Wagner Act) in the United States and the 2008 Labour Contract Law in China were responses to the threat of social instability posed by mounting social unrest, on the one hand, and the threat of economic instability due to insufficient demand (as wages stagnated in the face of rapidly rising labour productivity), on the other hand. Both the 1935 US law and the 2008 Chinese law sought to specify and expand workers' rights and

improve wages and working conditions, while channeling unrest into formal legal (routine) grievance procedures.<sup>21</sup>

In the US, the passage of the Wagner Act (and the strike waves that preceded and followed it) led to a durable social contract that was openly ruptured only in the 1980s. However, because of a fundamental difference in the global competitive environment, a simple repeat of the US mass production/consumption social contract in China is not possible today. In order to clarify this point, we need to introduce the concept of the product cycle and our third 'fix' – the product fix.

## THE PRODUCT CYCLE

In the previous sections we put forward the argument that the geographical relocation of capital in mass production industries over the course of the twentieth century – that is, successive 'spatial fixes' – has created new militant working classes everywhere capital has gone. In mass production industries, especially the automobile industry, we can see a clear cyclical pattern where capital is attracted to new sites of production in search of cheap and controllable labour, but strong labour movements emerge in each new site of production – from the US to Western Europe to Brazil, South Africa and South Korea and most recently to China.

However, this recurrent cycle of labour militancy and capital relocation is not a simple repetition. Rather, each recurrence unfolded in a fundamentally different competitive environment as mass production manufacturing spread across the globe. Raymond Vernon's (1966) product cycle theory, which distinguishes three phases in the lifecycle of all products – innovation, maturity, standardisation – is helpful for explaining this process. In the innovation phase the number of competitors is low and profits are high; however, as products reach the stage of maturity and finally standardisation, the number of actual and potential competitors grows, as does the pressure to cut costs.

This has important implications for the *outcome* of major waves of labour unrest – especially for the kind of labour–capital accord that labour movements can achieve and the degree of durability for the gains secured. Whereas the strike wave in the US automobile industry in the 1930s and 1940s took place during the innovation phase of the mass production automobile industry, when containing costs was relatively unimportant for ensuring capitalist profits, the recent strike wave in China is taking place during the standardisation phase of the product lifecycle, when the mass production of automobiles and other manufacturing activities is subject to intense

international competition, and profit margins are extremely thin. Thus, while US autoworkers were able to translate their strong workplace bargaining power into several decades of rising wages and expanding benefits, it is unclear that Chinese autoworkers will be able to do the same, despite some initial short-term successes. As long as production in China is concentrated in economic activities that are subject to intense competitive pressures, it is not clear how Chinese workers can translate their strong workplace bargaining power into a long-term stable social contract.

To be sure, the Chinese government is making efforts to jump up in the global value-added hierarchy, which might in turn, open the door to a longer-term stable labour-capital compact. It is an open question whether these efforts will be successful. Historically, innovations in capitalist production have clustered in high income countries, whereas China is, at most, a middle-income country. Moreover, historically, new leading industries have emerged in the rising world hegemonic power – for example, the mass production of textiles in the United Kingdom in the nineteenth century and the mass production of automobiles in the United States in the twentieth century.

Last but not least, there is an adding up problem. By definition, only one or a handful of locations can reap the high profits that come with being the innovator. Thus, one country's success in jumping up the value-added hierarchy (and thereby obtaining an important precondition for a stable labour-capital accord) necessarily presumes the failure of other countries to obtain the same objective. Put differently, high profits in capitalism historically have been derived not only from *exploitation* but also from *exclusion* (Arrighi, Silver and Brewer 2003). The monopoly windfall profits that have underwritten mass consumption social contracts are not generalisable to the world as a whole.

## THE PRODUCT FIX

Nevertheless, the rise and fall of leading industries has important implications for the spatial-temporal patterning of working-class formation and labour unrest on a world-scale. In the nineteenth century the textile industry became a key site of world working-class formation and world labour unrest; in the twentieth century, the automobile industry became a key site of world working-class formation and world labour unrest. For just as the main geographical sites of labour unrest shift from place to place along with each spatial fix, so the main industrial sites of working-class formation and protest have shifted from industry to industry together with the rise/decline of leading sectors of capitalist development (Silver, 2003: chapter 3).

This brings us to our third fix – that is, the *product fix* or the movement of capital out of industries and economic activities subject to intense competition (i.e., economic activities where Vernon’s standardisation phase has been reached) and into new (innovative) spheres with few competitors and high profit margins. Each product fix – like each spatial and technological fix – sets off a process of creative-destruction in which existing working classes are weakened or unmade and new working classes are formed. A critical next task, from this perspective, is to identify the likely successor(s) of the automobile complex as leading the industry of world capitalism and to explore the nature of workers’ bargaining power therein.

It is difficult to identify a single product that plays a role equivalent to that played historically by the textile complex in the nineteenth century or the automobile complex in the twentieth century. Various candidates have been proposed from semiconductors and education to advanced robotics and renewable energy; while some argue that no single product will have the same impact as textiles had in the nineteenth century and automobiles in the twentieth century (Manyika et al, 2013; see also Silver, 2003, chapter 3).

This is a big and important question. Here we will only focus on a partial but key symbolic snapshot. In 1955 General Motors was the number 1 ranked company on the US Fortune 500 list of largest companies in terms of revenues and held the number 1 position virtually every year for the remainder of the twentieth century. By 2002, however, Walmart Stores moved into the number 1 position and was still number 1 in 2013. Likewise, Walmart held the top spot on the Global Fortune 500 list virtually every year since the list began in 2005. Equally, if not more important, Walmart Stores is far-and-away the Fortune 500 corporation with the most employees – 2,200,000 employees in 2013 – and is the largest employer in the United States apart from the federal government. Finally, five of the six largest employers on the Fortune 500 list are in the retail sector (Walmart, McDonalds, Target, Kroger, Home Depot).<sup>22</sup>

Thus, the retail sector has been one of the key sites of new working-class formation; and if our thesis that ‘where capital goes, conflict follows’ is also valid with regard to the product fix, then we should expect the retail sector to emerge as a key site of labour militancy. Indeed, 2012–13 witnessed an unprecedented upsurge of strikes in the fast food industry in the United States and growing protest activity by Walmart workers.<sup>23</sup> Whether this labour unrest is a ‘flash in the pan’ or the harbinger of a more fundamental transformation remains to be seen. But the theoretical framework outlined in this chapter so far gives us reason to think that these actions might be a first step in a process that transforms today’s precarious workers into tomorrow’s stable working class.

To be sure, the workplace bargaining power of retail workers appears to be far weaker than the workplace bargaining power of automobile workers. Nevertheless, it is important to bear in mind that most early twentieth-century observers of Fordism were convinced that the transformations associated with the spread of industrial mass production had created a fundamentally weak working class with little chance of winning autonomous struggles. It was only post-facto – with the success of mass production unionisation in the 1930s and 1940s and the attendant transformation of precarious autoworkers into a stable working class – that Fordism came to be seen as inherently labour strengthening rather than labour weakening. Indeed, based on the theoretical framework put forward in this chapter, it is plausible that we find ourselves on the eve of an analogous post-facto shift in perspective in which assumptions about the inherent weakness of today's precarious workers are upended.

## THE FINANCIAL FIX

The fourth *fix* is what we have called the *financial fix*. The financial fix can be conceptualised as the continuation of the product cycle by other means. With the intensification of competitive pressures in production, capitalists sometimes seek to move into less crowded and more profitable lines of production (the product fix), but they also sometimes choose to pull their capital out of trade and production entirely and reinvest in financial deals and speculation. This latter is the financial fix.

For the past several decades (more or less since the 1980s) we have been living through a period in which the financial fix has become a dominant strategy for restoring capitalist profits. The end of the nineteenth century and first two decades of the twentieth century was another such period (Arrighi, 1994; Silver and Arrighi, 2011; see also Krippner 2011). The latest financialisation of capitalism gathered steam in the late twentieth century as it became increasingly clear that spatial, technological and product fixes were at best only temporary and local solutions to crises of profitability and labour control (as discussed above).

Understanding the financial fix is crucial for theorising the working class in twenty-first-century global capitalism. However, the impact of the financial fix on labour is different from the other fixes discussed so far. For the spatial, technological and product fixes we emphasised their contradictory impact on working-class formation and labour movement strength. We showed the dual



nature of all three; that is, how they both unmade and made working classes; both weakened and strengthened labour's bargaining power.

An analysis based on these three fixes alone would lead us to the conclusion that, although there may be working classes that are weakened locally and temporarily, the main effect of the process of capitalist development is to increase the size and strength of the world working class. Put differently, our analysis of the first three fixes leaves us without an explanation for the deep crisis of labour movements worldwide since the 1990s.

In the section above on 'The Institutional Context' we argued that the crisis of labour movements, and the dramatic increase in inequality, could not be traced to spatial or technological fixes. Instead it was traceable to a political decision by the world's elites to abandon the mass consumption and developmentalist social compacts. The financial fix gives us an additional explanation. Financial expansions are associated with the unmaking of established working classes, but unlike spatial and product fixes, they do not create significant new working classes in their place. Put differently, the destructive side of the process of creative-destruction process is predominant as capital flows out of trade and production rather than from one geographical/industrial location to another (Silver, 2003: chapter 4).

The financial fix, together with the abandonment from above of the mass consumption and developmentalist social compacts, provides us with an explanation for how labour movements were undermined and how the deep crisis of capitalist profitability in the 1970s was eventually resolved. But as with all 'solutions' for capitalist crises, it was only partial and temporary. The crisis of profitability was resolved through measures that have brought about a new deep crisis of legitimacy for capitalism.

## A RADICAL RETHINKING OF EVERYTHING

The pendulum is poised to swing back. But from the analysis put forward in this chapter it should also be clear that a simple swing of the pendulum back to the Keynesian mass production/mass consumption social contracts of the mid-twentieth century is neither possible nor desirable. While these social compacts resolved the crisis of legitimacy of capitalism at the system level, they were profitable and ecologically sustainable only so long as the vast majority of the world's population were excluded from their benefits.

If we are to imagine a world in which profits are subordinated to livelihood *for all*, then we have to imagine a world that moves beyond the

resource-intensive western model of capitalist development. In short, it requires us to radically rethink everything.

## Notes

1. Taking the *Financial Times* (London) as an illustration, we find among the many prominent articles on labour unrest around the world in 2010: 'Austerity plans spark protests in Eurozone' (24 February), 'Bosch locks out staff amid India unrest' (12 March), 'Police break up Hyundai strike in Chennai' (9 June), 'Workers' rage' (9 June, on anti-austerity protests in Europe), 'Chinese workers' protests spread' (10 June), 'Fears grow over China labour unrest' (11 June), 'Bangladesh doubles wages in clothes industry to stem unrest' (30 July), 'Strike hobbles South Africa public services' (19 August), 'Seven die in Mozambique food rioting' (3 September), and 'Tunisian unemployment sparks unrest' (28 December).
2. Simon Schama's suggestively titled commentary published in the *Financial Times* (22 May 2010) – 'The world teeters on the brink of a new age of rage' – actually only referred to European anti-austerity protests, but by 2011 the European ferment was widely seen to be part of a global upsurge of labour and class-based social protest.
3. These arguments are developed at greater length (and with extensive citations to the literature) in Silver (2003).
4. In *Forces of Labour* (2003: 20), I labeled these two types of struggles 'Marx-type labour unrest' (that is the struggles of newly emerging working classes born out of the material expansions of capitalism) and 'Polanyi type labour unrest' (that is, the struggles by established working classes to defend ways of life and livelihood that are in the process of being 'unmade' including resistances by workers who had benefited from established social compacts with capital and states to their being abandoned from above). This conceptual distinction *partly* parallels David Harvey's (2003) 'struggles against accumulation in production' and 'struggles against accumulation by dispossession'.
5. Another key driving force behind the tendency towards ceaseless change is competition among capitalists, which in turn, both influenced by and influences the dynamics of labour-capital conflict.
6. David Harvey (1989: 196), building on Marx's theorisation of the dynamics of capital accumulation, introduced the concept of the 'spatial fix'. I take off from this starting point in *Forces of Labour* in order to conceptualise the spatial, technological, product and financial fixes as strategies for the containment of capitalist crisis, especially crises of labour control.
7. See Silver (2003; chapter 2) for a detailed discussion of this déjà vu pattern for the twentieth-century world automobile industry.
8. See the chapters on the 'rustbelt' protests in C.K. Lee (2007).
9. For example: 'Cambodian workers threaten mass strike', *Fibre 2 Fashion*, 31 December 2012. Available at: [http://www.fibre2fashion.com/news/apparel-news/newsdetails.aspx?news\\_id=119475](http://www.fibre2fashion.com/news/apparel-news/newsdetails.aspx?news_id=119475); 'Export powerhouse [Bangladesh] feels pang of labour strife', *New York Times*, 23 August 2012. Available at: <http://www.nytimes.com/2012/08/24/world/asia/as-bangladesh-becomes-export-powerhouse-labour-strife-erupts.html>; 'Bangladesh doubles wages in clothes industry to stem unrest', *The Financial Times*, 30 July 2010; 'Strike explosion in Vietnam', *Lianhe News* (Taipei, Taiwan), 28 April 2008; 'Vietnam's factories grapple with growing unrest', *Financial Times*, 19 January 2012. Available at: <http://www.ft.com/intl/cms/s/0/67380b5c-427e-11e1-97b1-00144feab49a.html#axzz2UPmtbIvA>; 'Worker dispute halts production at Chinese electronics plant' [on Compal factory strike in Chengdu, Sichuan Province],

- Wall Street Journal*, 25 October 2012. Available at: <http://online.wsj.com/article/SB10001424052970203937004578078472126687996.html>.
10. 'Nowhere left to run for factory owners in Asia', *China Labour Bulletin*, 15 January 2013. Available at: <http://www.clb.org.hk/en/node/110196>
  11. 'Honda forced by strikes to halt China operations', *Financial Times*, 28 May 2010; 'Strike force', *Financial Times*, 11 June 2010.
  12. 'Third day of strike threatens China's exports', Reuters News Service (US), 22 April 2011; On the late twentieth an early twenty-first-century logistics revolution in global transportation and its potential for strengthening labour's power, see Bonacich and Wilson (2008).
  13. See for example, 'Foxconn plant [in Taiyuan, Shanxi Province ] closed after riot, company says' *New York Times*, 24 September 2012. Available at: <http://www.nytimes.com/2012/09/25/technology/foxconn-plant-in-china-closed-after-worker-riot.html> and 'Foxconn factory workers riot in [Chengdu, Sichuan Province] China', *CNN*, 8 June 2012. Available at: <http://www.cnn.com/2012/06/07/world/asia/foxconn-workers-riot>.
  14. 'Hon Hai [FoxConn] hits obstacles in push to use robots', *Wall Street Journal*, 11 December 2012. Available at: <http://online.wsj.com/article/SB10001424127887324024004578172022369346936.html>.
  15. In some cases, the required 'human touch' has been achieved by pushing tasks that were formerly performed by wage workers onto consumers themselves – among the most visible examples are self-check-out lines at supermarkets and purchasing airline tickets on the Internet. The enlistment of the labour of consumers themselves, in turn, points to the importance of theorising the nature of the relationship between workers and consumers as a central part of our efforts to theorise the working class in twenty-first-century global capitalism.
  16. The argument briefly outlined in this and the following paragraphs on the rise and demise of the mass consumption and development social contracts (and its relationship to the mass labour and social revolutionary movements of the first half of the twentieth century) is more fully developed in Silver (2003: chapter 4) and Arrighi and Silver (1999: chapter 3). On the rise and fall of the development project see also McMichael (2012) and Arrighi, Silver and Brewer (2003).
  17. On the non-generalisability of the mass production-consumption development model, see Arrighi, Silver and Ben (2003).
  18. For an early effort to distinguish among different types of capitalist crises, see Arrighi (1978); for further elaboration of the above argument, see Silver (2003: chapters 1 and 4); also Arrighi and Silver (1999: chapter 3).
  19. On the contrast between the patterning of labour unrest in the first half of the twentieth century versus the second half of the twentieth century, see Silver (2003: chapter 4). On the lack of solidarity see Silver and Arrighi (2000).
  20. Whether the protests by these differently located working classes will converge in solidarity or split along racial, ethnic and citizenship divides will be critical in determining how the global wave of labour unrest will unfold.
  21. See the opening paragraphs of the National Labour Relations Act. For the text of the law, see [www.nlrb.gov/about\\_us/overview/national\\_labour\\_relations\\_act.aspx](http://www.nlrb.gov/about_us/overview/national_labour_relations_act.aspx). On the Chinese Labour Contract Law see Kahn and Barboza, "China Passes A Sweeping New Labour Law"; see also Zhang (forthcoming: chapters 3 and 7). For a comparison of the New Deal period in the US and the current situation in China, see Silver and Zhang (2009).
  22. For 2013 Fortune 500 list, see [http://money.cnn.com/magazines/fortune/fortune500/2013/full\\_list/](http://money.cnn.com/magazines/fortune/fortune500/2013/full_list/); for historical archive see [http://money.cnn.com/magazines/fortune/fortune500\\_archive/full/1955/401.html](http://money.cnn.com/magazines/fortune/fortune500_archive/full/1955/401.html).
  23. Saki Knafo, "Seattle's Fast-Food Workers Strike as National Movement Begins to Claim Small Victories", *The Huffington Post*, 30 May 2013. Available at: <http://www>

huffingtonpost.com/2013/05/30/seattle-fast-food-workers-strike\_n\_3361608.html; Josh Eidelson, 'Walmart workers launch first-ever "prolonged strikes" today', *The Nation*, 28 May 2013. Available at: <http://www.thenation.com/blog/174551/walmart-workers-launch-first-ever-prolonged-strikes-today#axzz2WLOcLmH8>.

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