



GEOGRAPHY N20

Week 3 – 7/23/15

Geographies of Neoliberal Capitalism II:
Labor in the New World Order

Current Events – Chinese Economy

❖ Larry Elliot & Jill Treanor, *The Guardian* 7/22/15

<http://www.theguardian.com/technology/2015/jul/22/apple-share-price-chinese-economy-mining-commodity>

Apple

Chinese economy concerns wipe \$40bn off value of Apple

Fall in share price of world's biggest company mirrored by slide in stocks in mining and commodity firms to their lowest level since market crash of 2008



A man takes a photo of an almost completed Apple store in Hangzhou – the city's second. Photograph: ChinaFotoPress/Getty Images

Group Exercise (5-10 min): What will you be when you grow up?

❖ Guiding Questions:

- Where do you live? (if more than one person is from the same region/country, choose a representative)
 - OR: What region/country/city will you be living after college?
 - What kind of job would you like to have after graduating?
 - What *concrete* employment prospects do you think you might have in that field when you graduate?
 - What kind of job do you think you might *really* get after graduating?
 - What are the general employment prospects for young people in your city/region/country?
 - Would you consider leaving your home area to seek a job?
 - Where would you go? What would motivate you to leave?
-



Staying afloat in 'flexible' global markets: The New International Division of Labor

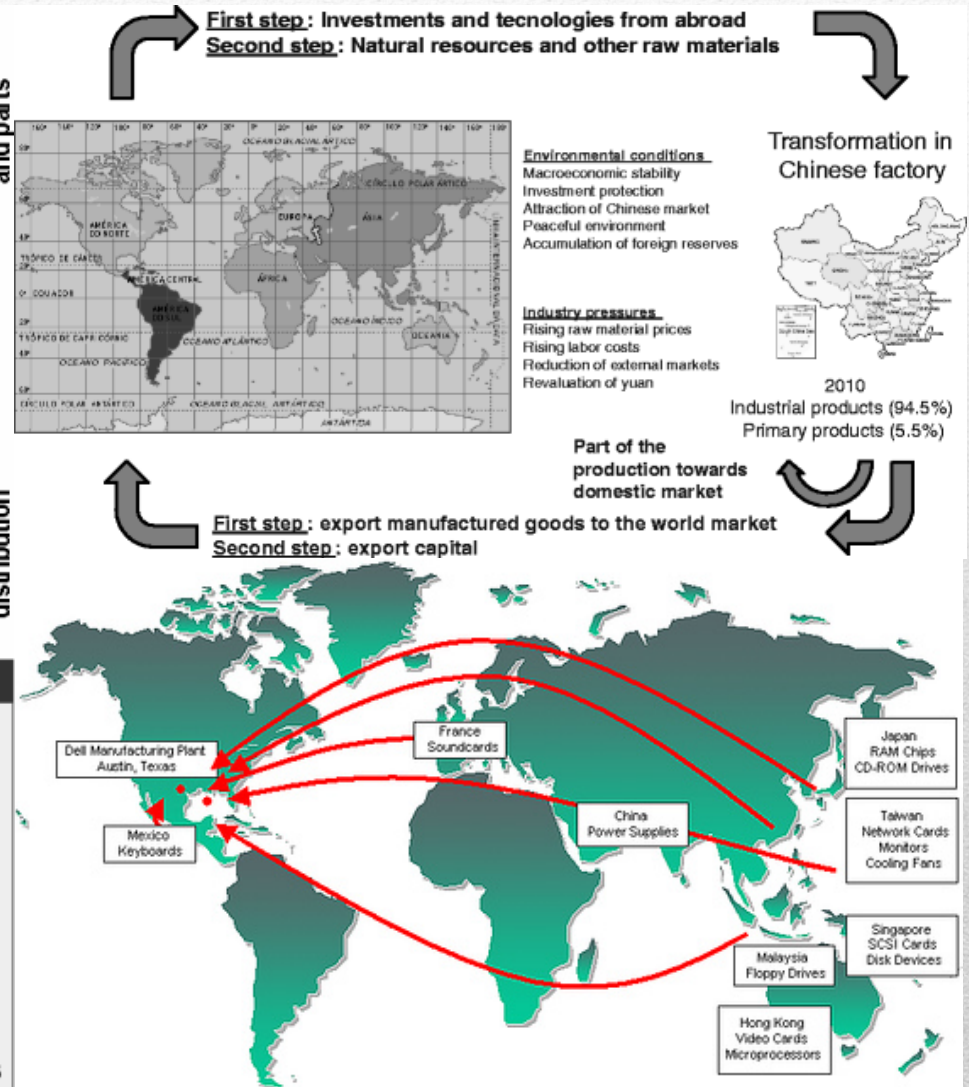
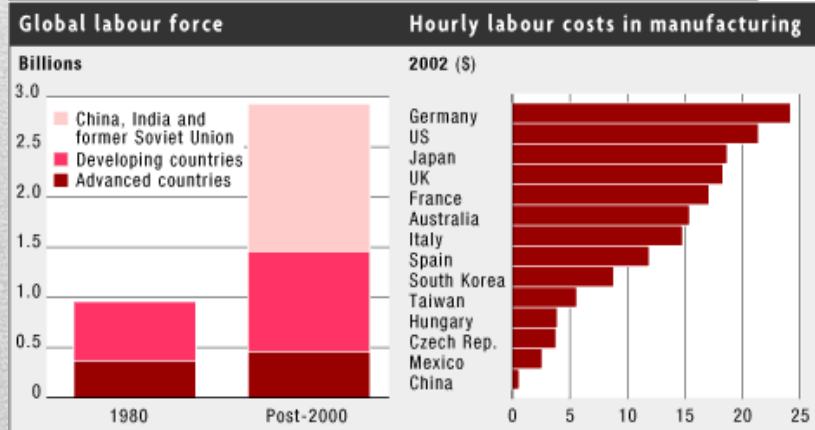
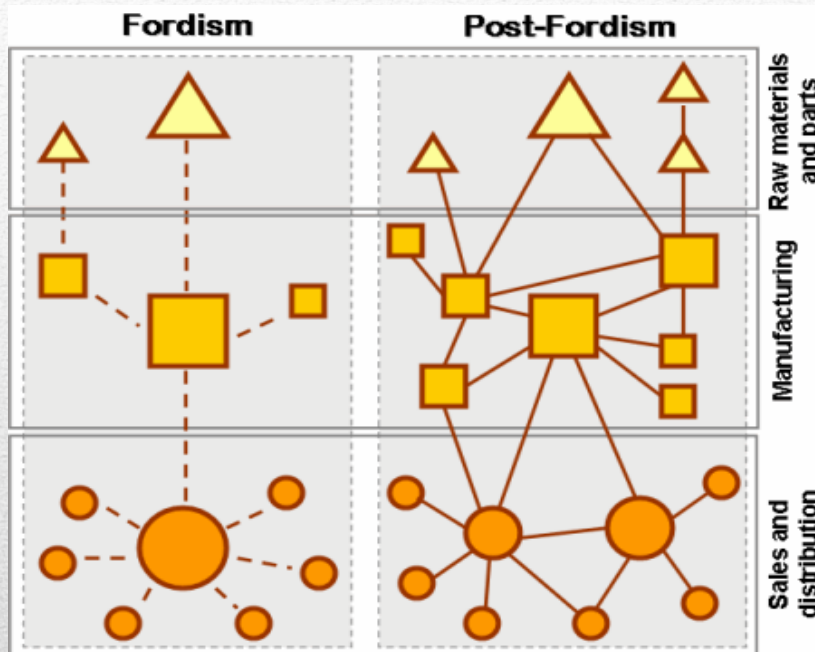
Fordism vs. Post-Fordism

- ❖ Fordism: Labor organization in 20th Century industrial era
 - Tied to 'vertical' (in-house) integration of commodity chain
- ❖ With Free Trade & Neoliberalization: Global Supply Chain
 - Lower tariffs = easier for capital and commodities to cross borders
 - Advanced technology + Logistics Revolution: *time-space compression*
 - Outsourcing/Subcontracting lowers responsibility for the head firm
 - Some SAP conditions included lowering labor regulations/standards; busting unions
 - Labor market competition – in neoliberal eyes: only *price* matters

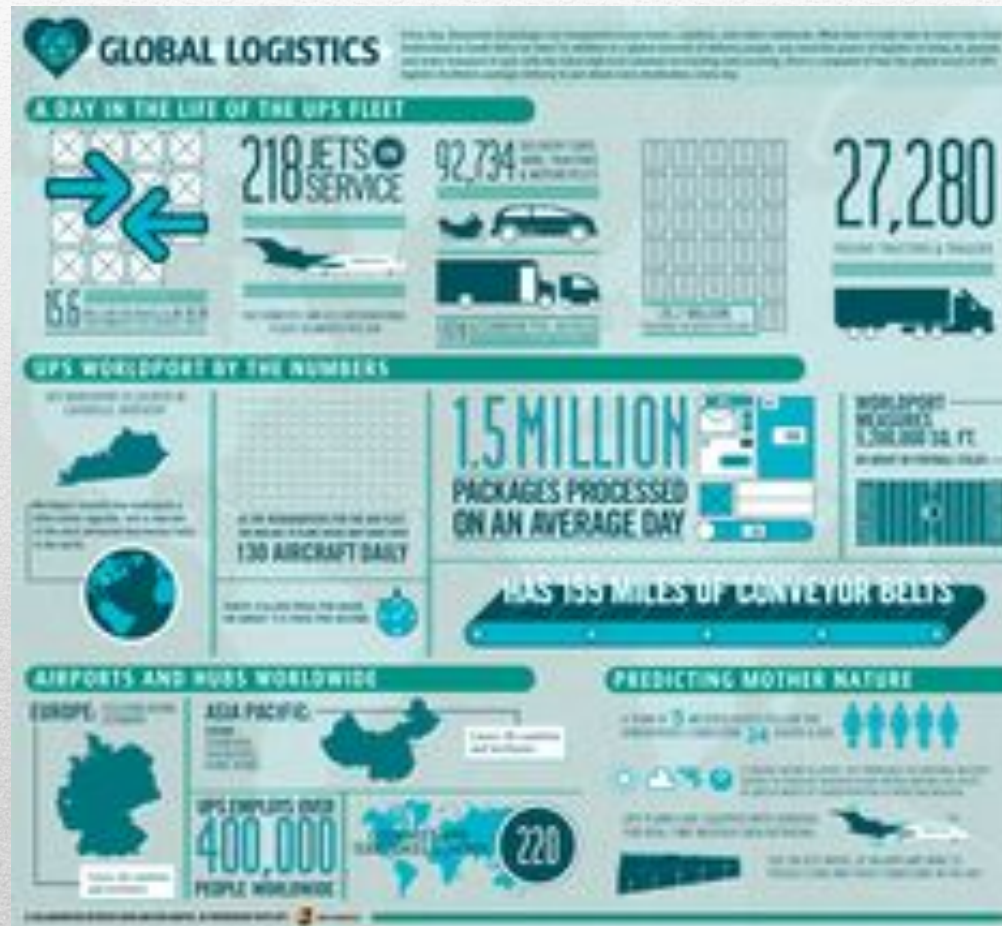
Table 4.1 Changing capitalist approaches to labor management

<i>Fordism</i>	<i>Post-Fordism</i>
National mass production	Strategic global production
Factory assembly lines	Subcontracting and line teams
In-house commodity chains	Market network commodity chains
Just-in-case inventories	Just-in-time deliveries
Taylorism	Flexibility and benchmarking
Working-class solidarity and union growth	Workers divided and unions decline
National mass consumption	Uneven global consumption
Government demand support	Minimalist government
Government arbitration of labor and business disputes	Anti-union laws and pro-business facilitation
Development of welfare states	Development of workfare-states
Government provision of free or affordable public services	Government cutbacks in public services and universal access
Regulation of finance for long-term national interest	Deregulation of finance for short-term investor interest

Global 'Flexible' Production



The Logistics Revolution and 'space-time' compression



UPS Global Logistics

New International Division of Labor (NIDL)

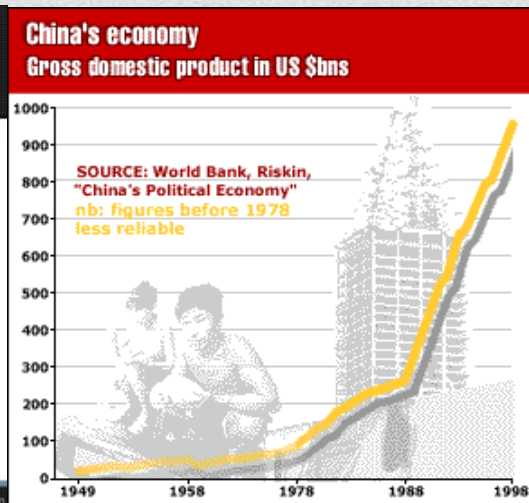
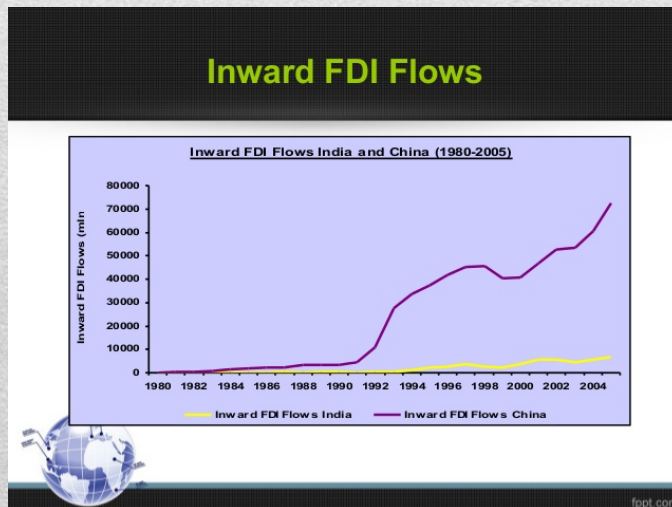
*A spatial division of labor which occurs when the process of production is no longer confined to national economies**

- ❖ Historical shift from 'old' divisions of labor based on trade
 - Global South (former colonies) = suppliers of raw materials
 - Global North (imperial powers/First World) = Manufacturing
- ❖ Spatial re-configuration of regions & their role in the economy
 - Industrialization of the Global South + free trade = *manufacturing*
 - De-industrialization of Global North + technology = *services*
- ❖ Begins around 1980: Two major factors
 - Ascendancy of Neoliberal Regime (& defeat of labor)
 - China enters the global economy

**From Wikipedia*

China's Debut on the World Market

- ❖ 1973: Oil Shocks / Economic crisis
- ❖ 1975: Nixon in China, normalizes relations
- ❖ 1978: Gang of Four/Deng Xiaoping reforms
- ❖ 1980: China enters market; 'Economic Miracle'

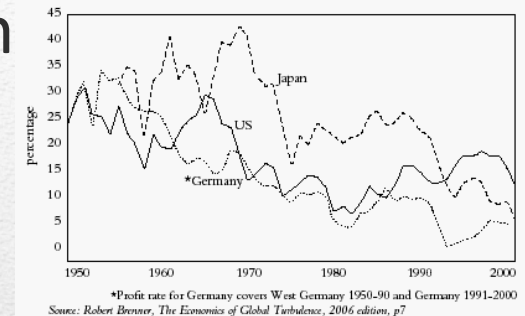


Effects/Timing of China's Entry

❖ 1970s Crisis: Profitability of real econ

- Decline in rate of profit – various theories
 - Overaccumulation/Underconsumption (*heterodox*)
 - Overcapacity/Organic Comp. of Capital (*Marxist*)
 - **‘Wage Squeeze’ theory**
 - Postwar Keynesian ‘Capital-Labor accord’ fixes wages to econ growth
 - Political strength of labor unions/workers + 1960s social movements

Figure 3: US, Japanese and German manufacturing net profit rates 1949-2001

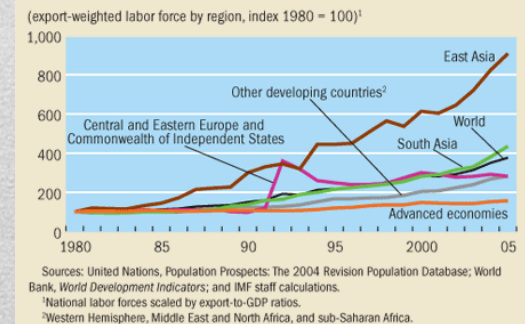


❖ China: 1 billion+ potential workers now on market

- Cheap Labor – helps profitability problem
- ‘Global Reserve Army’ of labor
 - Hands political bargaining advantage to First World capitalist elites

❖ Early 1990s: China finances US debt

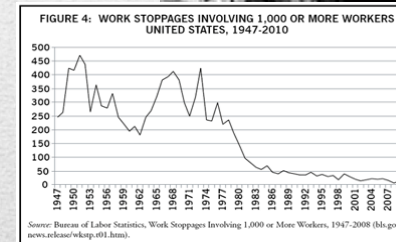
The global labor supply has shot up since 1980 ...



REAGAN & THATCHER BREAK THE UNIONS: Neoliberalism beats organized labor in the 'First World'

Reagan vs. PATCO: Air traffic controllers' strike (1981)

- ❖ Summer 1981: strike for better wages & working conditions
- ❖ Government unions banned from striking
- ❖ Reagan orders them back to work; fired 1,100+ workers
 - Blacklisted them from working in civil service jobs
- ❖ Broke power of US labor unions; permanent decline



Thatcher vs. NUM: Miners' strike (1984-85)

- ❖ Enacted neoliberal policy prescriptions to the letter in UK
 - De-nationalized coal industry + tight fiscal/monetary policy
 - Provoked mass layoffs, skyrocketing unemployment
- ❖ National Union of Mineworkers walkout against pit closings, layoffs
 - Widespread solidarity movement; calls for national strike
 - Violent clashes, 3 deaths; Thatcher plans to send army
- ❖ NUM defeated in 1985; also turning point for British labor

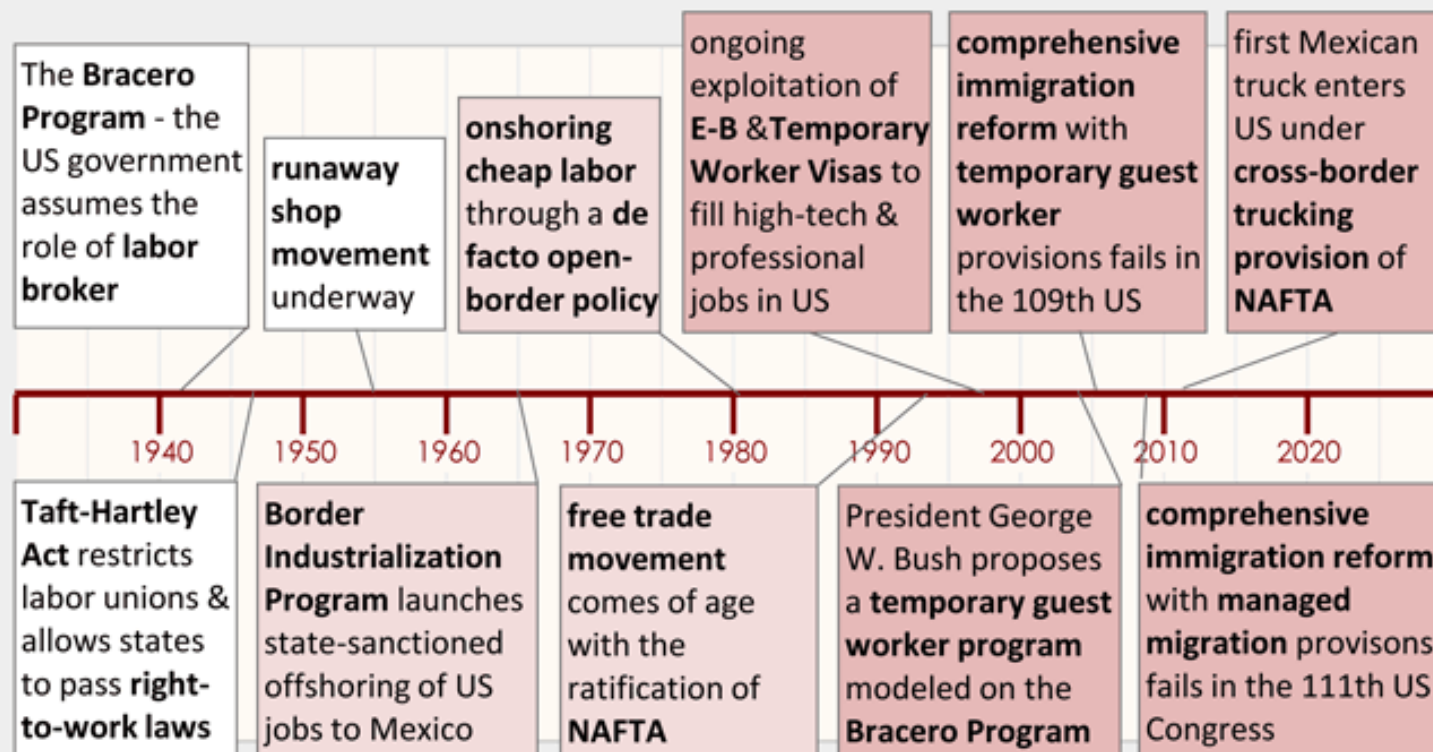


Recommended films: *The Battle for Orgreave* (2012)
Pride (2014)

Free Trade → Labor Outsourcing

Neoliberal experimentation in Mexico

Chart 1: The evolution of neoliberal labor strategy in North America -- an overview



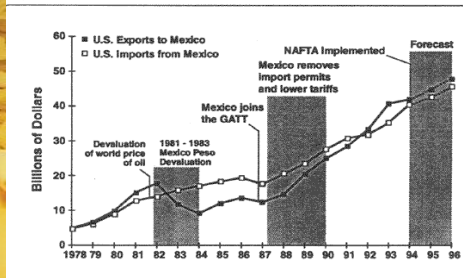
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Free Trade → Labor Outsourcing

Neoliberal experimentation in Mexico



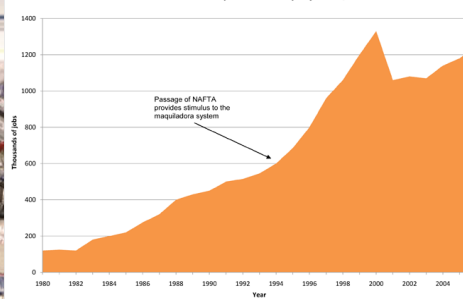
Figure 2. U.S.-Mexico Trade



Source: American Trucking Association, 1995



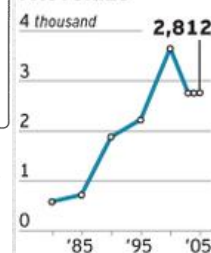
Chart 4: Maquiladora employment, 1980-2006



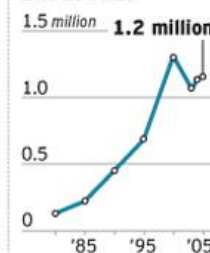
The maquiladora industry in Mexico

More than 2,800 maquiladora plants employing more than a million people were operating in 2005, with combined exports of nearly \$100 billion. These plants are foreign-owned factories in Mexico where workers assemble imported parts into products for export.

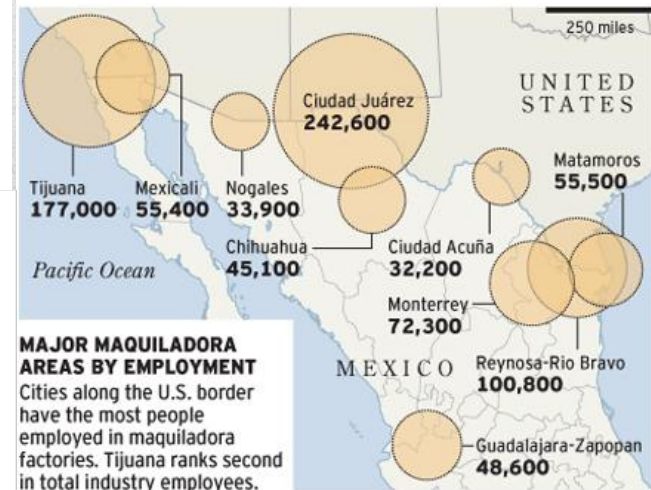
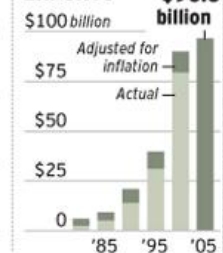
FACTORIES



EMPLOYEES



EXPORTS



MAJOR MAQUILADORA AREAS BY EMPLOYMENT
Cities along the U.S. border have the most people employed in maquiladora factories. Tijuana ranks second in total industry employees.

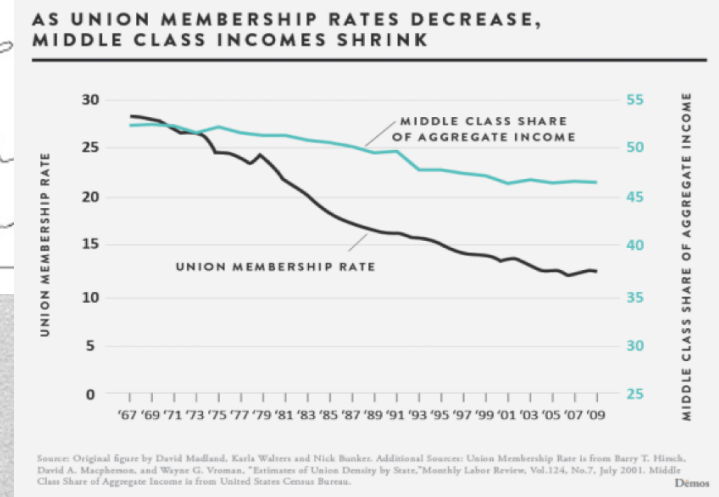
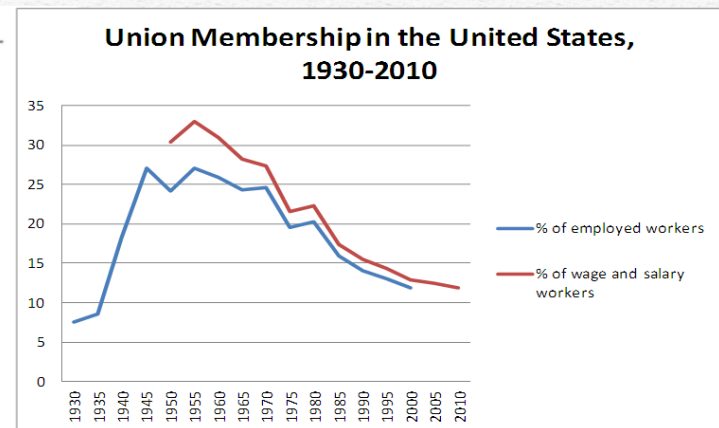
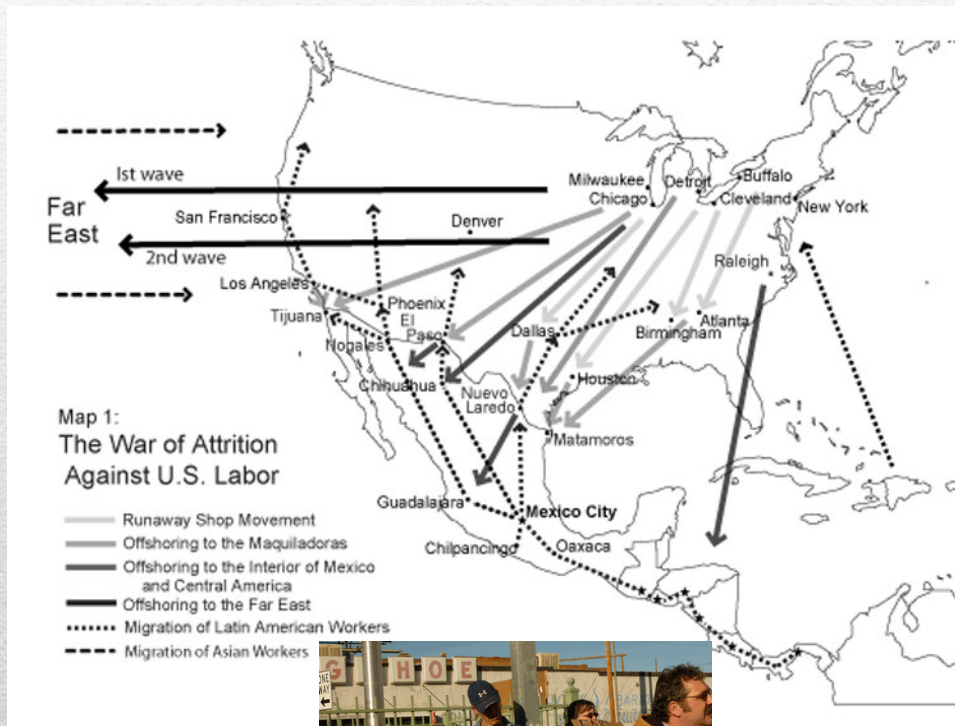
SOURCE: Global Insight Inc.

MATT PERRY / Union-Tribune

Recommended Film: *Maquilopolis: City of Factories* (PBS, 2006)

<http://www.pbs.org/pov/maquilapolis/>

Outsourcing of Labor: A 'spatial fix' to bust the unions



Free Trade → Labor Outsourcing



Outsourced

Between 1999-2009, U.S. multinational companies added 2.9 million jobs overseas while cutting 865,000 jobs at home. Employees of U.S. majority-affiliates in 2009 in major countries (percentage growth since 1999):

0%-49% 50%-99% 100% or more

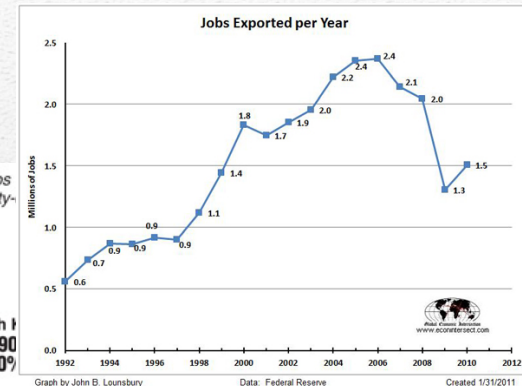
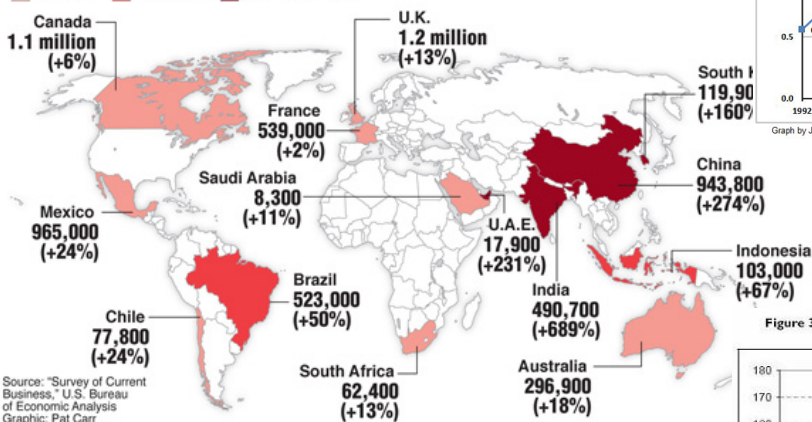
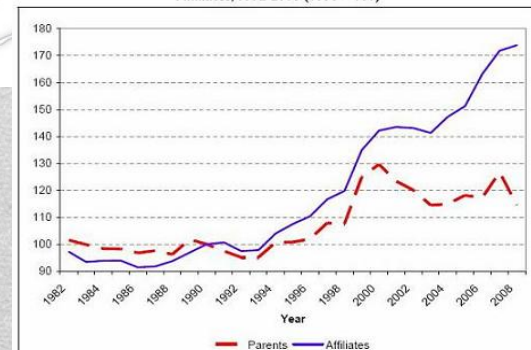


Figure 3. Index of Employment of U.S. Parent Companies and Their Foreign Affiliates, 1992-2008 (1990 = 100)

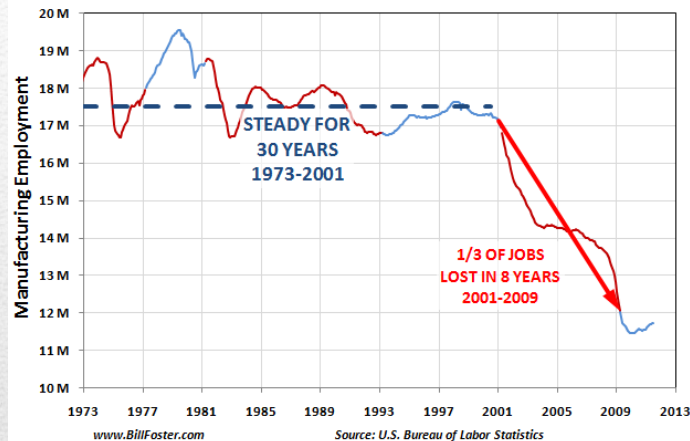


Source: U.S. Department of Commerce.

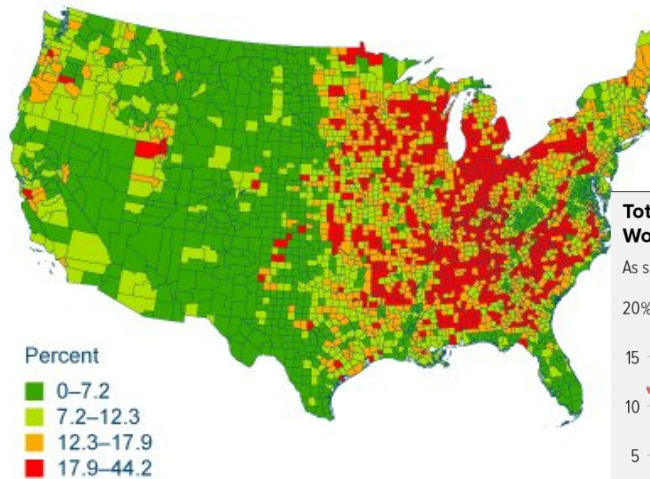


De-industrialization in USA

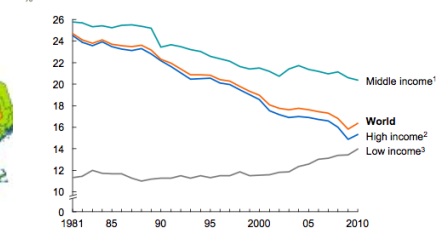
U.S. Manufacturing Job Loss - 2001-2009



Share of Manufacturing Employment

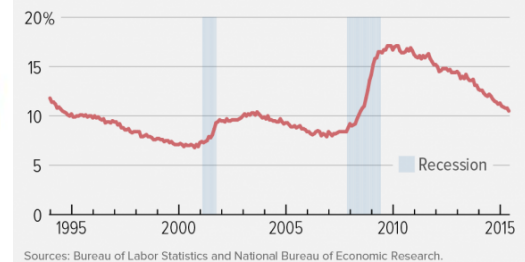


Manufacturing's share of GDP has fallen in all but the poorest economies
Manufacturing value added as share of GDP



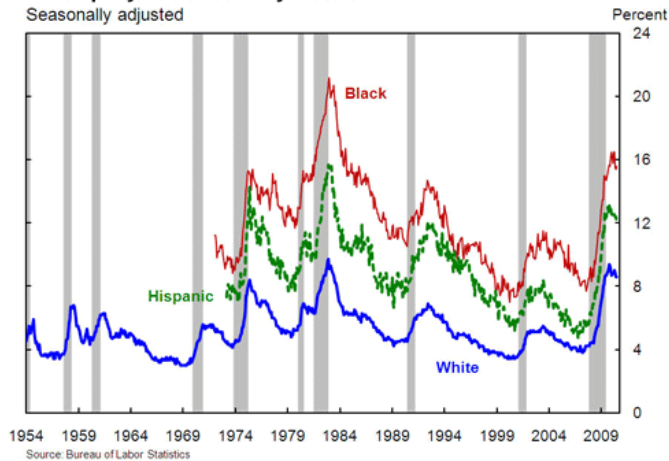
Total Unemployed Plus All Marginally Attached Workers and Those Part-time for Economic Reasons

As share of civilian labor force plus all marginally attached workers

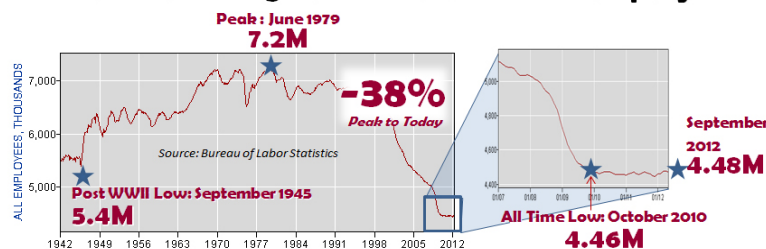


Unemployment Rate by Race

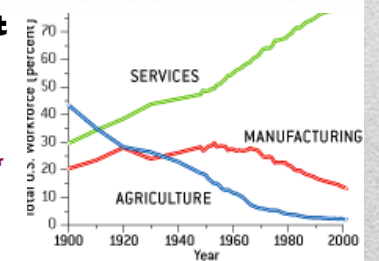
Seasonally adjusted



US Manufacturing Nondurable Goods Employment

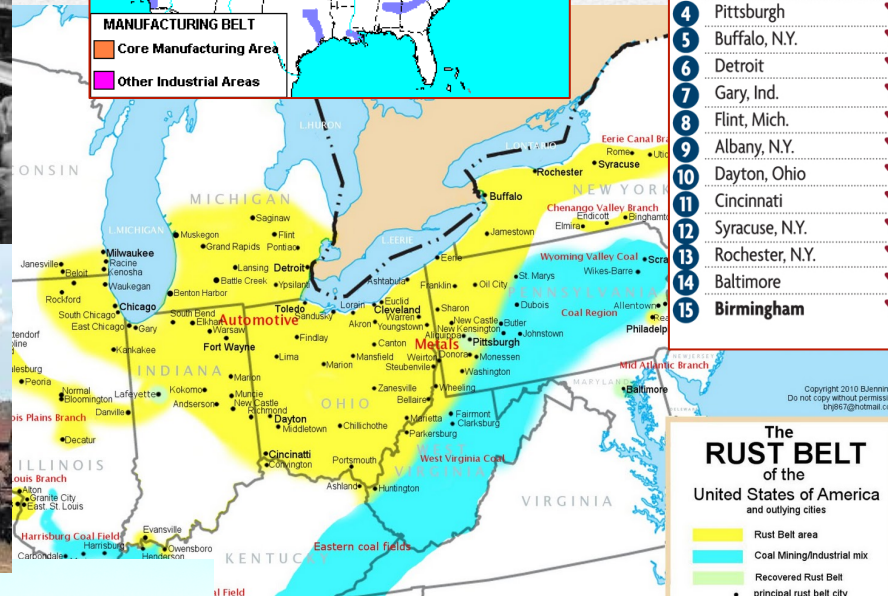
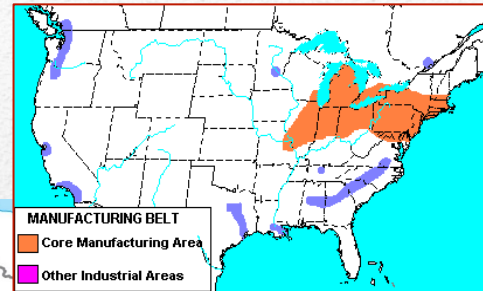


CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG



SOURCES: U.S. Bureau of the Census and U.S. Bureau of Labor Statistics

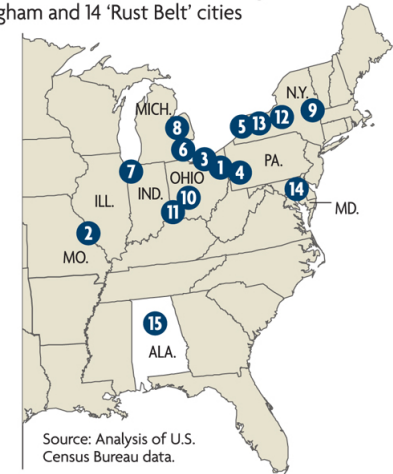
Deindustrialization: The US Rust Belt



THE RUST BELT OF ALABAMA

Out of the nation's 100 largest cities in 1960, the ones with the greatest drops in population were Birmingham and 14 'Rust Belt' cities

1	Youngstown, Ohio	▼ 60%
2	St. Louis	▼ 54%
3	Cleveland	▼ 48%
4	Pittsburgh	▼ 48%
5	Buffalo, N.Y.	▼ 47%
6	Detroit	▼ 47%
7	Gary, Ind.	▼ 46%
8	Flint, Mich.	▼ 40%
9	Albany, N.Y.	▼ 40%
10	Dayton, Ohio	▼ 39%
11	Cincinnati	▼ 39%
12	Syracuse, N.Y.	▼ 34%
13	Rochester, N.Y.	▼ 34%
14	Baltimore	▼ 32%
15	Birmingham	▼ 32%



FILM:

“Capitalism: A Love Story”

Dog Eat Dog Films (2010) | directed by Michael Moore

Entire film available here:

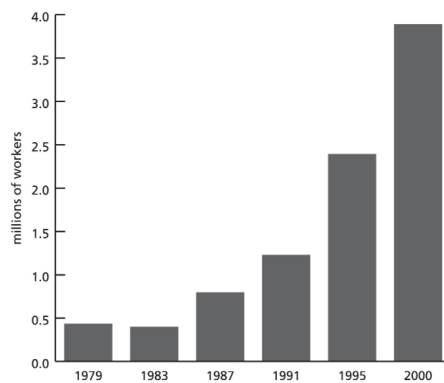
<https://www.youtube.com/watch?v=rgcdtOcfqfc>

Excerpt (15:00-29:07):

US Working Class Pride, Reagan’s reforms, and Deindustrialization

Changing Nature of Work in US: Full Time → Part Time, Contingent, Precarious

Chart 2: Numbers of Temporary Workers



Source: D. H. Autor, *Outsourcing at Will: The Contribution of Unjust Dismissal Doctrine to the Growth of Employment Outsourcing*, <http://web.mit.edu/dautor/www/papers.html>.

Job security under Keynesianism
to *precarity* under Neoliberalism



Woman who worked in four jobs, overcome by fumes, dies as she naps in car 151 comments

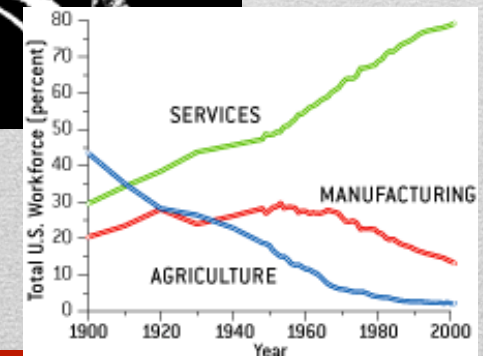
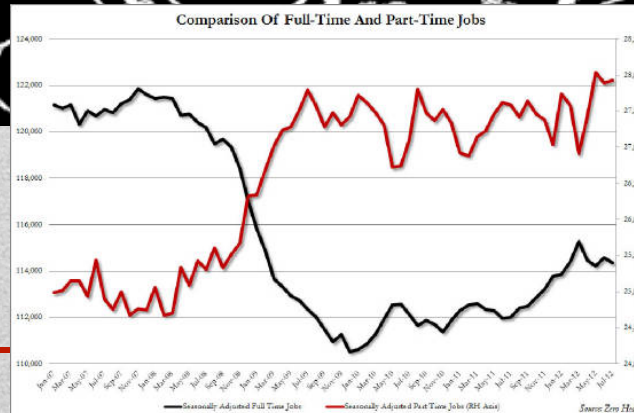
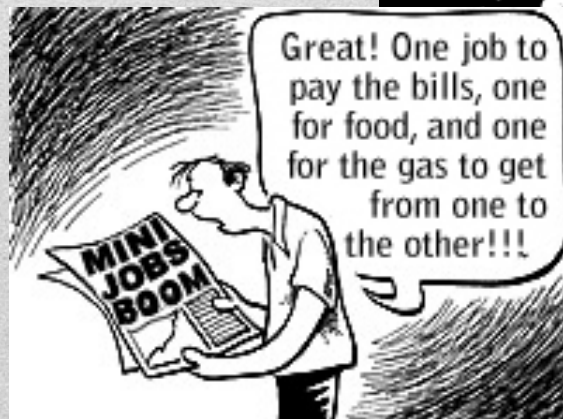
By Tom Hayden | NJ Advance Media for NJ.com
Email the author | Follow on Twitter
on August 26, 2014 at 3:33 PM, updated August 27, 2014 at 9:52 AM

Tweet 0 Share 12k Share 164 Pin it Reddit

ELIZABETH — Maria Fernandes worked four jobs, including shifts at two different Dunkin' Donuts.

Often she drove from job to job, stopping along the road to catch a couple hours sleep, police said. She kept a container of gasoline in her 2001 Kia Sportage because occasionally she ran out of gas, authorities said.

Early Monday, the 32-year-



SOURCES: U.S. Bureau of the Census and U.S. Bureau of Labor Statistics

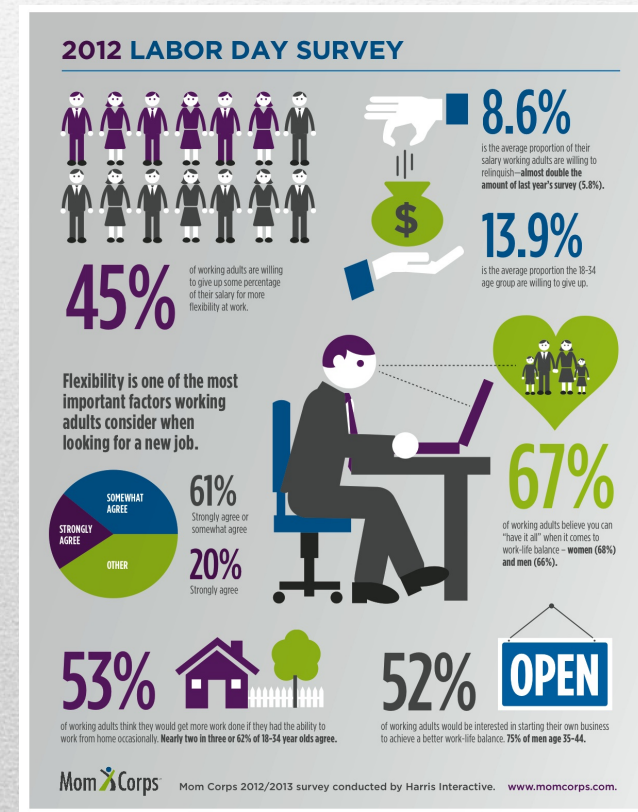
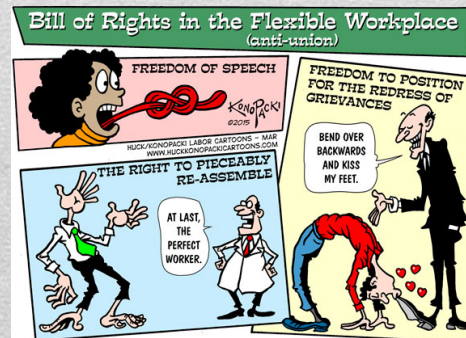
'Flexible' = 'Creative' Workers (?)

❖ From employment → contracting

- Sold as 'freedom' to make own schedule
 - 'The Creative Class' (Richard Florida)
- 'Tertiary Time': spent finding work
 - On average: 250 more hours per year
- No benefits, worker protections

❖ The 'Sharing Economy'

- App-driven: Uber, Taskrabbit
- Employer takes less responsibility



The 'Creative' City = Gentrified City

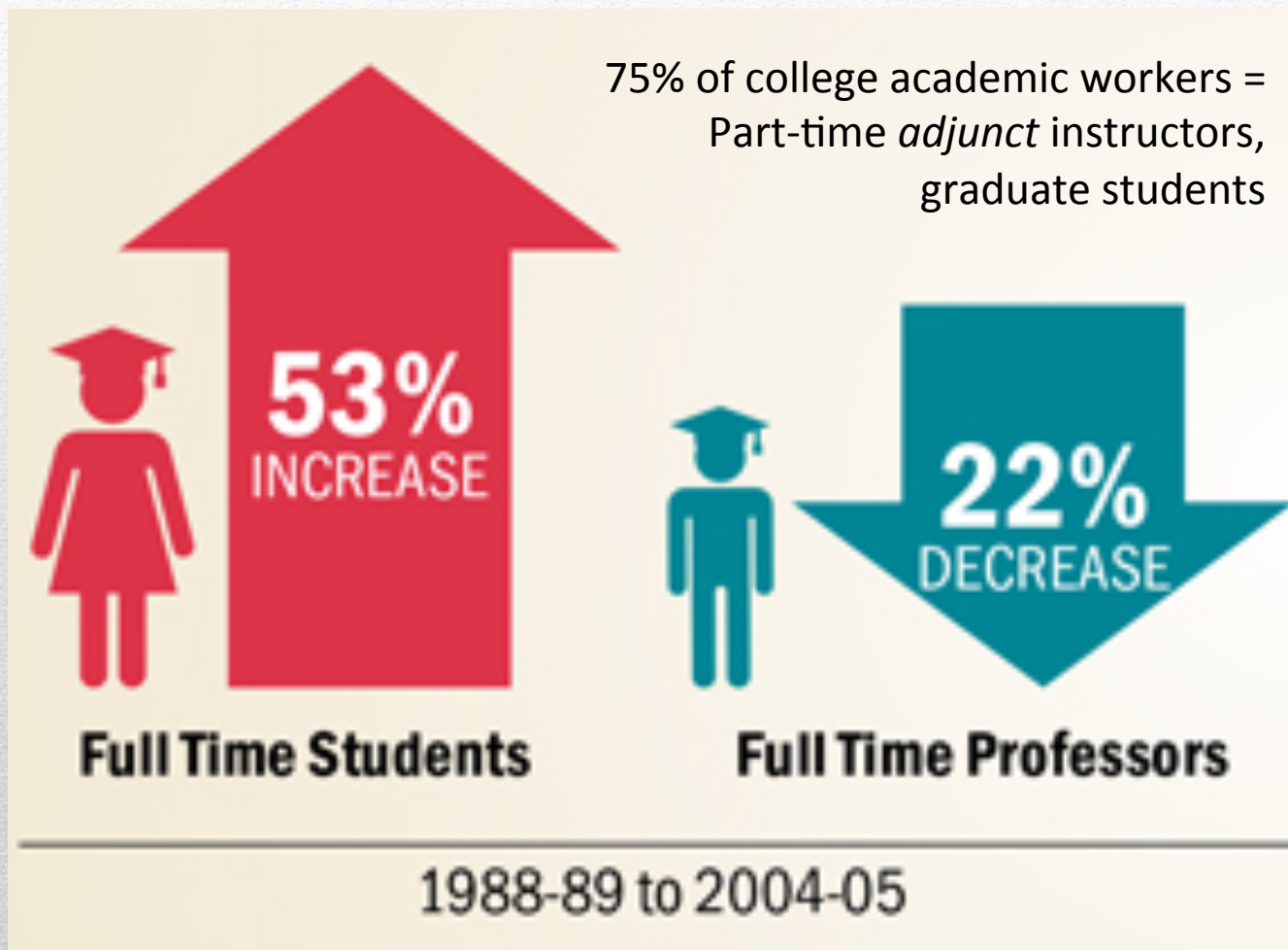
❖ *Gentrification* = Real Estate dev't in blighted urban areas

- San Francisco, Oakland, Detroit, Austin, etc.
- Geared to attract 'creative class' (tech workers, etc)

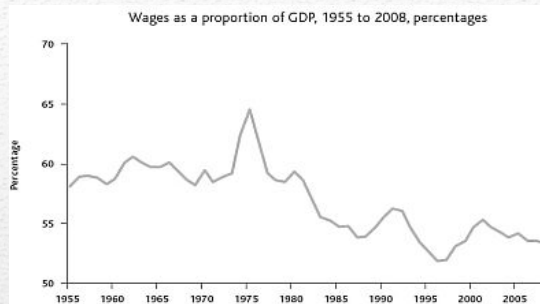


❖ SF now most expensive city in US: \$4225 median rent (!)

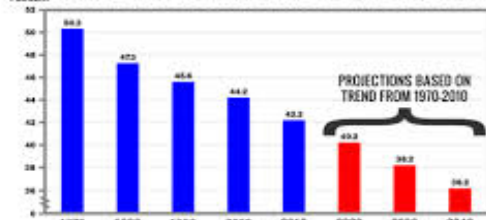
The Neoliberal University



US Wages & the Middle Class



THIS TREND SUCKS THE SHRINKING MIDDLE-CLASS



Percentage Distribution of U.S. Aggregate Household Income, by Income Tier, 1970-2010

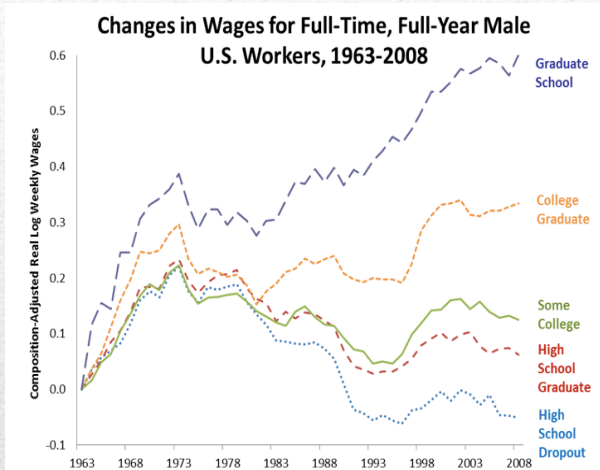
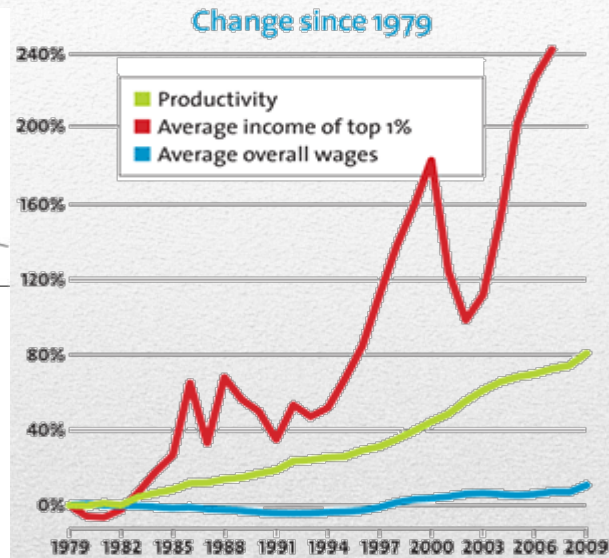
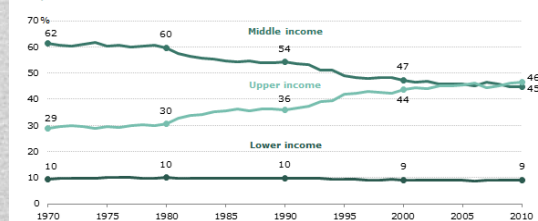
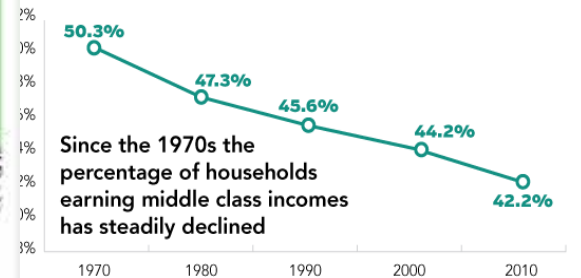


Figure 3.5: Wages have increased for those with the most education, while falling for those with the least. Source: Acemoglu and Autor analysis of the Current Population Survey for 1963-2008.

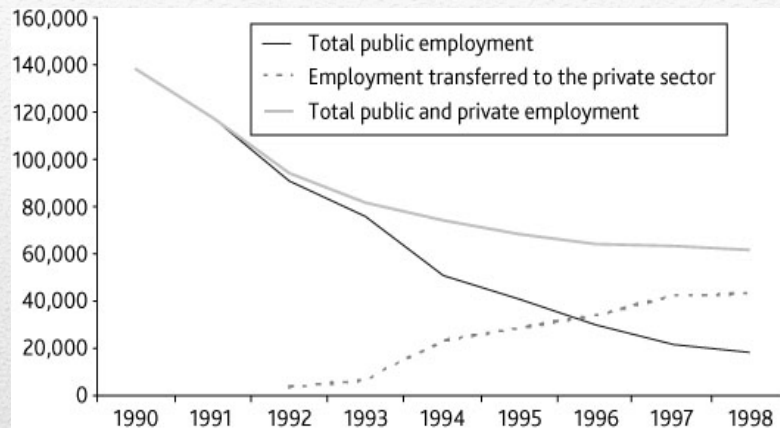
THE SHRINKING MIDDLE CLASS

HOUSEHOLDS WITH ANNUAL INCOMES WITHIN 50 PERCENT OF THE MEDIAN

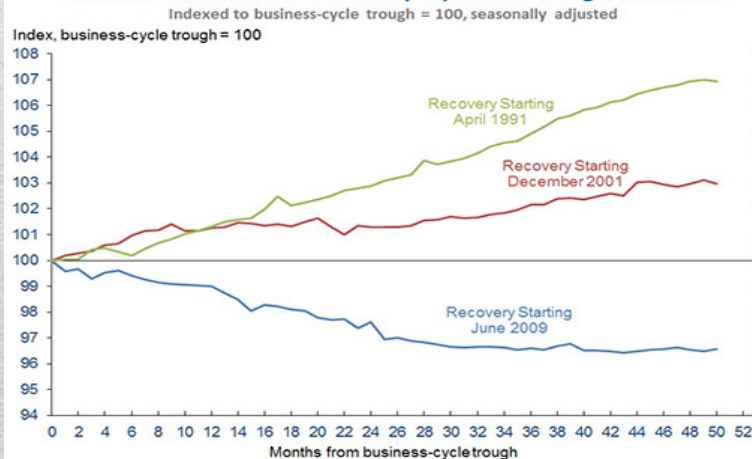


Source: Alan Kruger, "The Rise and Consequences of Inequality," speech THE HUFFINGTON POST

Austerity & the Public Sector

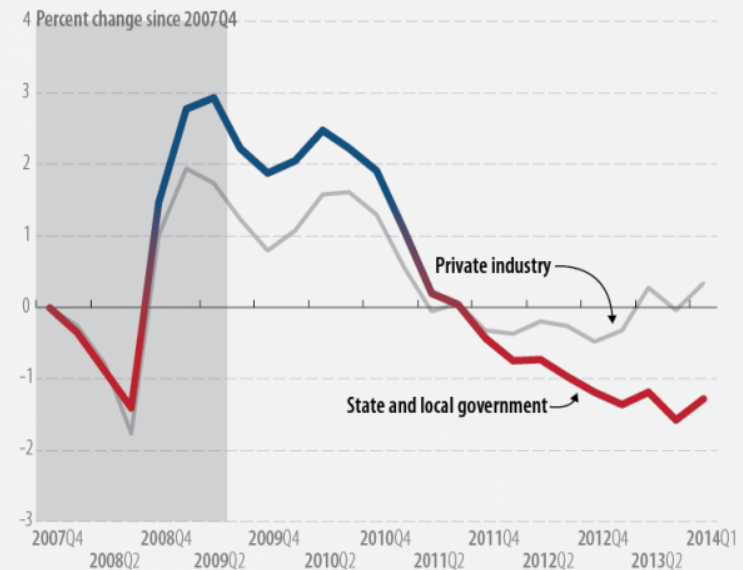


State & Local Government Employment During Recoveries



Public-sector wages have fallen since the Great Recession

Real public- and private-sector wage growth, 2007-2014

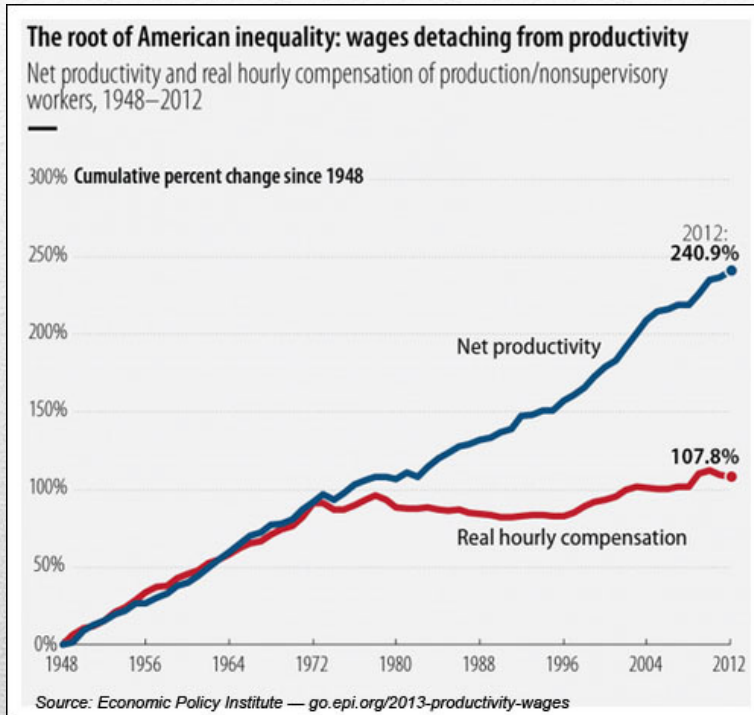


Note: The sharp increase in real wages in 2008 and early 2009 was mostly due to a dip in price levels (deflation). Shaded area denotes recession.

Source: Author's analysis of the Bureau of Labor Statistics Employment Cost Index and Consumer Price Index (CPI-U-RS) data.

ECONOMIC POLICY INSTITUTE

Decline in Real Wages = erosion of purchasing power/demand



- ❖ Productivity rises, but real wages decline
- ❖ Classic underconsumption crisis scenario
- ❖ How was crisis put off for so long?
- ❖ USA = Consumer Nation??
1946 – 2008 (wage decline starts in 1972...)

2 ways to avoid crisis:

- Raise real wages
- Lower consumer prices



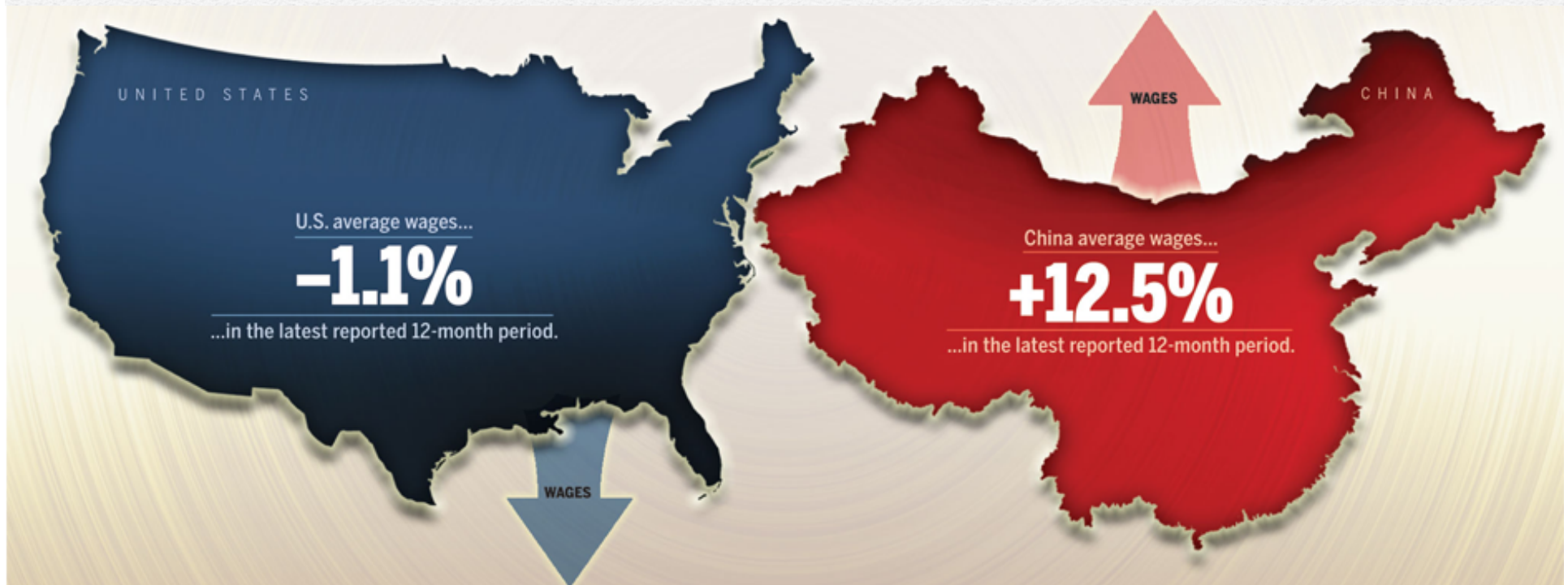
After the 2008 Crisis:

Emerging markets = emerging middle class

- ❖ US/Europe consumer power collapses
 - ❖ Creation of alternative poles of financial support (ALBA, Mercosur etc.; now BRICS dev bank)
 - ❖ Growing role of China as financial power
 - ❖ Renewed focus on cultivating domestic market
-

International Labor Organization

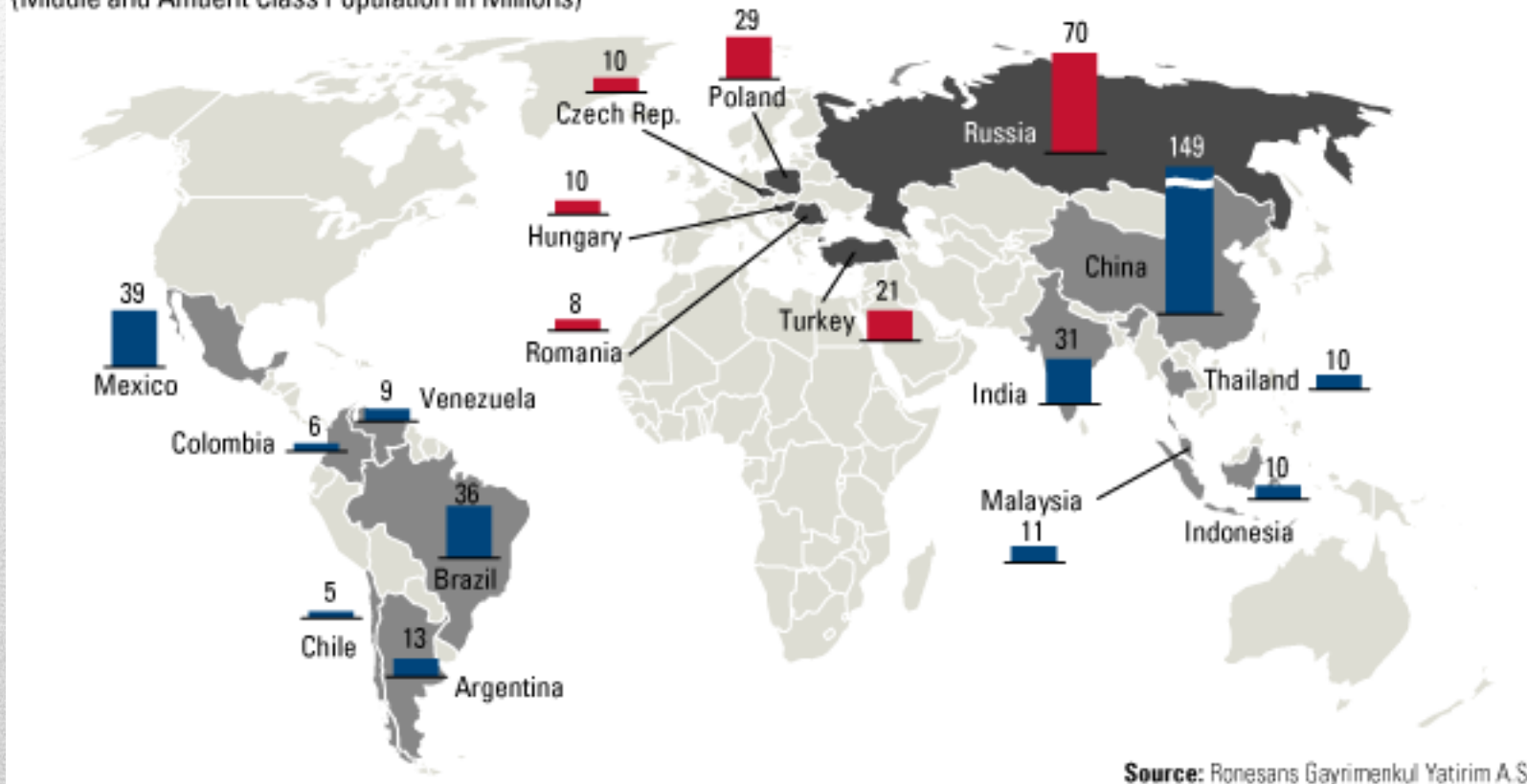
2015 report: US wages down, China going up



Emerging Europe

Emerging Europe's Middle and Affluent Class Equal to That of China

(Middle and Affluent Class Population in Millions)



Projections of Growth

