

Trading

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Key Points

- Trading has been around for a very long time, even if for most of human history, groups more or less cooperatively produced and shared the basic needs of life.
- The invention of money allowed for extensive impersonal trading, an expanded division of labour, and increasing interdependency, now reaching across the entire globe.
- Markets are always socially constructed and, accordingly, there is enormous variation in the institutional features, conditions, instruments and legal arrangements which make exchange possible.
- There is no such thing as a “neutral” set of rules governing market exchanges; there is considerable confusion as regards the idea of a “Free Market.”
- As the unintended product of actors each trying to bring about their goals, markets may create socially disastrous outcomes. Some of these can be addressed only by conscious collective action.
- There is no market mechanism to guarantee work for all that want to work, or which guarantees that all existing jobs will pay a non-poverty wage, still less, that all will get the jobs and wages they “deserve.”
- Globalization increases uncertainties and inhibits our capacities to solve many problems, environmental, economic and social.

Introduction

Trading has been around for a very long time although for most of human history groups engaged nature more or less cooperatively producing what they needed. There was a rudimentary division of labour – almost always rooted in gender, and little in the way of surplus to be exchanged. In such “subsistence economies” almost everything was consumed by the producers, either as it was produced or later. Peasants made sure, for example, that there would be some rice stored for consumption during the winter.

Adam Smith (1776), one of the first to try to analyze capitalism, offers a story of how people left what he called “the early and rude state of society.” It is an illuminating story, but almost certainly not a true one. He held that the “early and rude” state of society became “civilized” because human beings had what he called “a propensity to truck, barter and exchange one thing for another.” (To truck is to carry something). He saw this as a feature of human nature – an assumption which led Karl Marx to say that Smith considered everyone an 18th century English merchant. Smith did not think much about his Scottish feudal forbearers, still less Native Americans or Maori, who somehow lacked this particular propensity.

But however this may be, he felt that “trucking and bartering” led to an expansion of the division of labour. Individuals or even groups (so-called hunters and gatherers) could stop trying to do everything to satisfy their needs. Tasks could be divided up and assigned to many different people. They could then exchange with one another for what they needed and wanted.

The invention of money was certainly a critical next step. As John Locke had already argued (in 1690), money was something that could be stored, "without waste," and could be used to represent the value of things which might then be traded. Smith shared with Locke the idea that the "value" of something or – more strictly the exchange value of something – was equal to the amount of labour time that went into its production. In a famous example Smith argued that if beavers were to be exchanged for deer, the parties to the trade would trade only if they got their value: if acquiring a deer took twice as long as acquiring a beaver, then the exchange ratio was two to one. Since money could represent these ratios, in this situation, value and price are identical.

Smith held, rightly, that determining values in this way – a version of the labour theory of value – held only in the “early and rude state of society,” before, as it put it, there was an “accumulation of stock” and before there were “landlords,” whom he observed, “love to reap where they have not sowed.” As everyone agrees (including Karl Marx, who also held to a version of this theory) once people own land and the means of production, for example the tools and machines of mass production, it is not so easy to determine prices. Modern micro-economics (or neo-classical price theory – what one gets in the first course in economics) is an effort to do this.

The earliest money had a strictly local reach: The cowry shells of Polynesians bought nothing in London or Paris. Still, having something which could represent value permitted non-barter exchange. Instead of trading goods for other goods, if two parties could agree that a given quantity of money did represent a given value, one could use money to buy something – if the other party had it for sale. One cannot overstate the importance of this. As Adam Smith already recognized, not only were the possibilities for a continuously expanding division of labour created, but along with this, conditions for expanding interdependency were created, an interdependency which today encompasses the entire globe.

The logic is quite straightforward. When a group could satisfy all its needs using its own resources, individuals and families did not need to trade among the members of the group: they might simply share. But as well, the group and its members did not need to trade with other groups. They were autarchic (self-sufficient). Once trade became widespread and they *needed* to trade to satisfy their needs, they become dependent. Consider, for example, energy needs. Even a nation as large and as powerful as the United States cannot satisfy its energy needs domestically, it must buy oil from oil producers. More generally, as it quite plain, most of us today need the hands of many others if we are to get through the day. Most of these people are quite unknown to us and many of them live in China or Mexico. Indeed, they may live and work anywhere. As individuals we are radically interdependent, even if, of considerable importance, nearly all of these relations are entirely impersonal and anonymous. When we go to a supermarket, the store is filled with commodities, each bearing a price. While all of these goods were made by human hands, this becomes irrelevant. As Marx (*Capital*, Vol 1: Sec. 4) neatly put the matter, a social relation between persons becomes an objective relation between things.

IMPERSONAL MARKETS

Impersonal markets, the primary mechanisms of exchange, require commodification, the constitution of things as commodities – including the commodification of labour. (A commodity is anything which can have a price attached to it and is available to sell.)

There is a huge amount of folklore associated with the idea of a market. Much of this mythology is promoted by well-established economic theories. Two points need to be mentioned. Markets do function to allocate resources, for example, factors of production, and to distribute, for example, the wages of workers; the obvious alternative is some sort planning or “command” system. There are distinct advantages to markets, but real markets do not, and never have, satisfied either the too often critically held beliefs about them, or the conditions of modern price theory.

To fix our ideas, consider what may have been the most rudimentary of markets: a place established for vendors who bring products to sell. Perhaps there is a flea market in your town or perhaps you have been to a farmer’s market in some city. In this convenient place in physical space suppliers (people with things to sell) come together with demanders (people who want to buy). Now if everybody knew the (real) value of commodities, buyers would bargain with sellers until each was satisfied that they were getting their money’s worth.

But nobody knows the real value of anything and they cannot. The requisite information is not available. Even if each seller does know what it costs her to bring the product to the market, she doesn’t know what it costs other sellers to bring their products to the market – and they are not likely to tell her. So she fixes a price on her goods which she thinks that she can get. On the other side, buyers do not walk around with a cost/benefit schedule in their heads so that they know what they would be willing to pay for differing amounts of utility to be gleaned from the goods available. What happens is pretty simple. The buyers look at the prices of goods offered and decide whether they are willing to pay what is being asked for the particular good. So perhaps, after some haggling, some things get sold and others don’t. You *may* have got a bargain. Nor does help to say that if there is some other seller of the same good, the competition between them will drive the price down to its real worth (technically, the slope of the supply curve: the price at various quantities). On this assumption and assuming that buyers do have cost/benefit schedules in their heads (the slope of the demand curve), the intersection of the two curves will be the price and it will equal the real value. But the buyer has to know that there is another seller of the commodity and that his price is lower. People do shop around, but they do not look everywhere. Indeed, even if in principle they could, the costs of doing so would forbid the effort. This is an example of what are sometimes called transaction costs. Further, the two goods may not be identical. The seller with the commodity with the higher price can argue that it is of better quality. And he may not be lying. The question of what is substitutable cannot be determined in advance. More generally, exchanges need not satisfy constraints of economic rationality.

There are further implications of this. Theory says that in a free market, prices will fall until there are buyers for everything. The vendors all go home with money in their pockets but no commodities: the

market clears. But markets do not clear. Buyers go home disappointed (or annoyed); sellers go home with inventories. For nearly all markets, there is no time at which everything evens out, when the market is at equilibrium.

Often people speak of a market as being “free,” without considering what this means. It may be assumed that a market is free when government is not interfering. But this is an odd way to think since without the government and its laws and regulations there could be no market. It is the government that establishes the rules of the game. The rules which constitute a market define, for example, the bundle of rights which constitute what we think of as private property. It defines contracts, standards and conditions. Critically, there is no neutral way to do this. In baseball, raising the height of the pitcher’s mound is to the advantage of the pitcher, but, accordingly, to the disadvantage of the batter. Labour laws are in the interests of workers, but contrary to the interests of employers.

One cannot assume that there is only one way to do any of these things. Because markets are always socially constructed, as a function of different histories, there is enormous variation in the institutional features, conditions, instruments and legal arrangements which make exchanges possible. The Japanese stock market, for instance, is different in critical ways from the New York Stock Exchange. And given Japanese corporate policy not to fire workers, but to put them in alternative jobs, so too their labour market is different from the US labour market. Currently, we hear a good deal of talk about marketization in China and the former Soviet Union. This is best understood as the effort to bring into existence the rules and regulations and, even more difficult, the agreed-to practices which taken together constitute an American-style version of a market. Some writers have referred to the capitalism which is emerging in Russia as “mafia capitalism” because the key capitalists are able to exploit the current situation with extra-legal means, including intimidation and violence. One recent writer was content to say merely that it was “weird capitalism,” which is just to say that it is not quite like the system which we take so utterly for granted.

There are other problems with the idea of a free market. As conventional theory recognizes, where there is no parity of market power, markets are not free. Giant corporations can (and do) dominate production and sales; they can better control costs, spend millions on advertising, and use other means to restrict competition, for example, by controlling shelf space in a supermarket. Moreover, because of their size and power, new enterprises are unable to enter the markets which big firms dominate. Instead of market forces determining organization, organizations determine the nature of markets, or as Chandler (1993) put the matter, the ‘visible hand’ replaces the ‘invisible hand.’ A host of implications follow from this.

Adam Smith (and all those who followed his line of thought) assumed that because producers are self-interested, the invisible hand assures that goods that are wanted will get produced. As he famously said, ‘It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest’ (*Wealth of Nations*, Book 1, Chapter 2).

We may grant that the primary interest of suppliers is profit, but for consumers to be sovereign they need some way to express their wants independently of what is made available to them. This is

sometimes true. It is the whole point of market research and ultimately the best argument in favor of entrepreneurs, people who can identify some consumer want and who have the means to respond to it. But not only are wants shaped and very often created by producers, but, as above, entrepreneurs cannot easily enter the market and become serious competitors.

This is a good place to introduce what economists call elasticity. The demand for a commodity is elastic if it responds to price changes. For example, as the price goes up, people buy less. But since people will pay almost anything for life-saving medications, the demand curve for them is inelastic. In a modern economy demand for many commodities is inelastic because there is little price competition for them. Once a leading corporation determines a price, comparable corporations on pain of mutual destruction, forego price competition. They shift to non-price competition: built-in obsolescence, brand names, style, extras, service, and so on. This also explains the importance of the gigantic effort in marketing in advanced capitalism and of huge consumer debt. The system will break down if needs and wants are not manipulated to ensure that people will buy stuff at the price that has been established. As Schor (1992:117) put the matter, 'consumerism is not an ahistorical trait of human nature, but a specific product of capitalism.' (See Chapter 8: Consuming.)

Nor for similar reasons is it the case that a superior product will win out in the marketplace. We now recognize what is called path dependence. This is the fact that small, random events can establish a choice in technology which subsequently becomes nearly impossible to change. Q-W-E-R-T-Y are the first six letters on the upper left of keyboard that we use. It has been the universal standard since the 1890s. Why? It is clear enough that even if there are much better arrangements, once a relatively small number of people had learned that arrangement, it was effectively locked in. There are more interesting examples, Matsushita's VHS standard over Sony's Betamax, MS-DOS over MacIntosh. Indeed, the utter dominance of the gasoline engine cannot be explained by appeal to the idea that only superior products survive in the competitive marketplace. It is also best explained as a case of path dependence. Historians suggest that solutions to the limits of electric cars were on the immediate horizon around 1915, but that a brief price edge was all that was necessary to lock us all into polluting gas guzzling engines. Some of the same logic is at work regarding the alternative between using cars and mass transportation to commute. The decision to build and sell automobiles led to decisions to build a massive highway system which, in turn, led to the demise of efficient mass transit. For most people, there is no real choice regarding getting to work: hit the expressway. (See Chapter 10: Mediating: Technology.)

Moreover, there are a host of public goods which private markets have never satisfied. This includes railroads, roads, airports, bus systems, and national defense. Since these cannot be provided to one person without being available to all others, they will not be provided by private markets. (This is a consequence of the so-called free rider problem). Accordingly, government steps in to provide these goods, normally paid for by taxes. But public goods include a narrower set of goods (sometimes called merit goods) which, while they can be privately produced and individually appropriated, generate positive externality effects. That is, the social benefit exceeds the private benefit. Education is an obvious good in this sense. While schools provide benefits to their students, they also inevitably provide benefits to everyone in the community. As well, in the absence of public support for education, private markets would educate only those who could

afford their services. The result would be not only increased inequality but a net loss to the community.

The invisible hand also assured that in the theoretically defined perfectly competitive market production would be accomplished efficiently, where efficient means for the economist that there is no different allocation of resources (inputs) which will improve outputs. But a moment's thought will suggest that an economy could be producing efficiently *and* wastefully or destructively. Destructive but efficient production, for example, destroys the environment – what is often talked about in terms of “externalities”; wasteful but efficient production generates commodities which fail to serve human needs or wants, or fails to do so as well as it might, like poor quality housing or Star Wars technology.

There is a further problem with market rationality, often called the isolation paradox. Acting as individuals, each seeks to make the best of his or her position. But because the predicted outcome of the choices that each considers best is affected by the choices of others, the outcome is unintended by all. When each decides to beat the morning traffic jam by leaving for work earlier, the traffic jam occurs earlier. Nothing is gained and everyone loses out on some sleep. When (as Keynes taught us), everyone holds money in order to cope with uncertainty, uncertainty increases. More generally, market outcomes (the range of commodities, their prices, etc.) are the unintended product of the conscious action of different actors each acting to bring about their goals. Since prices provide some guidance in finding and correcting information essential to making economic decisions—a burden not satisfiable in a planned economy (Elson, 1988; Boettke, 1997), the outcomes may be more efficient than planning could provide. But as is clear enough, micro-rationality may result in macro-irrationality, when, for example, the choices of rational actors produces a serious depression. Globalization increases problems raised by the isolation paradox.

Similarly, problems arise with goods with positional attributes. These include both natural or socially created scarcities and goods subject to crowding problems. Thus beach properties, a BA degree, tourist destinations and automobiles have positional properties. The main idea is caught by noticing that standing on your toes to see better is a good strategy if nobody else follows suit. But when everybody stands on his or her toes, everybody loses. Because education became more widely available, many jobs formerly available to high school graduates now demand college degrees. Again, no one is better off and many are worse off. Automobiles are great on open roads, but they reach their social limits when there are so many that one cannot cross town. The auto confronts natural limits when the pollution becomes unbearable. At this point, the factory which produces automobiles may be efficient, but the result is both wasteful and destructive. In these cases, the rational behavior of isolated firms and individuals each seeking to satisfy their interests produces outcomes which are neither desired nor even economically rational. Markets themselves cannot solve such problems. Conscious coordination of some sort is required.

Markets and Work

We have not yet spoken of labour markets. Indeed, these are the distinctive feature of capitalism properly understood. It is confusing (at best) to think that markets *define* capitalism or that capital is

merely the means of production. As both Karl Marx and Max Weber insisted, the distinctive feature of capitalism is that workers sell their labour power to people who own the means of production. In this sense, the trading which took place in the ancient European world or in other societies did not make them capitalist. The Greek and Roman political economy was dominated by slavery; in the European Middle Ages, lords commanded serfs who were tied to the land. Lords surely exploited their peasants, but such exploitation took the form of naked coercion. We begin to see capitalism when serfs are “freed,” and are able to sell their labour to employers who produce for exchange, ultimately to generate profit from production. Capitalism is thus a way to produce in the sense that there *must* be labour markets.

It is important to notice that when capitalism was getting started in Europe, the creation of “free” wage workers involved forcing the peasants off the land. This stimulated an often bloody resistance (Polanyi, 2001). (The “enclosure movement” in Europe began when communal peasant land was converted to pasture for sheep in order to satisfy the wool trade. Writing in 1518, Sir Thomas More noted, ironically, that the sheep were eating the people of Europe.) Outside Europe, the process has often been even more disastrous, involving colonial projects which undermined subsistence agriculture and fostered export-led dependent development. A consequence is that today in many post-colonial societies, hundreds of millions are jobless, unable to survive on the land and not absorbed by the modern economy. A recent UN study estimates that globally, in 2001, there were some 921 million living hand-to-mouth existences in slums (Davis, 2004). Indeed, although explaining the emergence of capitalism in Western Europe remains a contested and complicated problem (Weber, 2003; Pomeranz, 2000), the fact that capitalism and modernity did come first to Europe has had enormous consequences regarding the present condition of the nations and peoples of the world.

We can notice here the current myth that capitalism reduced human toil. It is true that in pre-capitalist societies people lacked nearly all of what we now think essential. And if they had enough to eat, it was not *haute cuisine*. But this also meant that once basic food and shelter were provided, people stopped working. Pre-contact Hawai’i has been called ‘the first affluent society’ because goods were relatively easily provided and there was much time for leisure (Sahlins, 1972). . If we look at pre-capitalist Europe, there were but 120 working days in the typical year: some twelve hour days during planting and harvesting, but plenty of holidays and feast days — and the pace of work was slow. A leisure class of nobility did not work.

Capitalism transformed work and the time spent working. First, with the end of feudalism, workers no longer had rights to land or its products, they became “proletarian”. If they wanted to eat, they had to sell their labour-power to someone. Employers used time to regulate labour and produced a clear division between **the** work day and leisure time. Second, it was clear enough that capitalists could increase profit by increasing the length of the working day or by making workers more productive — or both. If in 1300, the typical medieval worker worked 1440 hours annually, the typical worker in the 19th century was working 3650 hours annually — and always under the watchful eye of the foreman (Schor, 1992, p. 45). In England, beginning in the nineteenth century, labour legislation addressed the question of the length of the working day and, of course, of child labour. A current 40 hour workweek, 50 weeks annually, equals 2000 hours.

Labour markets raise a special problem for the idea of free market. A plausible sense of “free” would require that no coercion of any sort was involved in the exchange. But if so, markets would exist only when (paradoxically!), the traders did not *need* to trade: They could refuse to trade if terms were not mutually satisfactory. We may, accordingly, forego the new car this year or even give up a luxury. But if as Marx and Weber saw, wage labour is defined by the fact that as Weber (2003, Part IV, Chapter 22) put it, workers are *compelled* to sell their labour power to some employer or another, then obviously coercion is a systematic aspect of labour markets. Persons with only their labour power to sell can refuse any particular offer, but – barring a very strong welfare state – they must accept some offer. It is this fact which most powerfully explains both resistance to “welfare”, *and* low wages. Workers are always in competition for jobs and they will work at even below the minimum wage if they cannot secure a job at a higher wage. They will work part-time without benefits, sometimes at two part-time jobs. But just as it is in the interests of wage workers to get as high a wage as they can, it is in the interests of capitalists to keep their costs as low as possible. Unions were the workers’ response to this.

It is a further piece of market mythology that workers get the jobs and wages they deserve. This assumes an appropriate assessment of the skills of the worker and the need for the job. This is perhaps easiest with professional athletes and manual labour, but very difficult for the kinds of skills and competences called for in a modern service economy. Similarly, it is difficult to assess the contribution of the worker, either to the final product or the good of society. To take some obvious examples, one needs to explain why compared to Japan or Germany, salaries of CEOs in the US are so radically disproportionate to the average salaries of their employees, or why US school teachers with fifteen years experience average \$36,219 compared to Switzerland’s \$62,052 (*New York Times*, 13 June 2001). Moreover, where the product is cooperative product, as in the case in almost all real world production, it is almost impossible to assess the relative contributions of the co-operators. Indeed, the reality of labour markets is extremely complicated and concretely specific. As Granovetter and Tilly (1988) show, talk of markets collapses a very complicated struggle by a host of parties: capitalists, workers, households, states and organizations, for example trade and labour unions, into an misleading abstraction.

The capitalist has other ways to lower wage costs such as introducing labour-saving technologies. This is a critical part of the dynamic of capitalism since cost reduction (along with product innovation) through technological innovation is built into the system. This is obviously the case where there is price competition, but it occurs even where competition is not over prices. In oligopolistic competition corporate giants do not compete over prices, but, for example, market share. It was widely held that this dynamic was one of the glories of capitalism: it guaranteed progress. But putting aside questions of whether progress can be measured in terms of technological innovation, this belief ignores the consequences for workers and assumes that the self-adjusting mechanisms of the market will produce adjustments in the labour market such that workers who became unemployed would regain desired employment, perhaps doing something else.

Unfortunately, the historical evidence shows that such is not the case. Down-sized workers who find jobs generally find ones which pay less and do not require the skills that they had mastered (Uchitelle, 2006). Technological innovation de-skills some workers and demands new skills of others. More generally, as theory since Keynes recognizes, there is no mechanism in market

capitalism which guarantees that either there will be work for all who want to work or that the available jobs will produce living wages for workers, still less, that everyone will get the jobs they deserve. We call the former structural unemployment. Today, economists are content to hold that an unemployment rate of six percent or less can be considered full employment. But that means in the American economy, as many as nine million workers will be unemployed. Nor does it address the problem of the working poor, that in 2000 some 6.4 million or 41% of America's poor had jobs that paid *below* the government-defined poverty-line (US Bureau of Labour Statistics, March 2002). Similarly, last year in Australia the number of working poor increased by 50%, to some 3 million (*The Australian*, April 7, 2006).

The problem of labour saving technology was discerned in the early nineteenth century by the so-called Luddites, Nottingham stocking-knitters who smashed the machines then being introduced (seventeen of them were hanged in York in 1812). And of course, the problem is hugely exacerbated by the latest generation of technologies. Indeed, Jeremy Rifkin has recently written a book called *The End of Work!* Rifkin is not predicting a utopia where everywhere enjoys a life of leisure, but a grim world where getting a decent job becomes more and more difficult.

Capitalists have another powerful capacity to cut costs: because capital is mobile they can move it from country to country with ease, and hence they can move production to places where cheaper labour is available. The result is *not* what either Adam Smith or Karl Marx predicted. Both believed that capitalism would encompass the world ('breaking down Chinese walls' as Marx put it in the *Communist Manifesto*) and that eventually, societies would achieve developmental parity. (It was just this, of course, which led Marx to call for the workers of the world to unite!) But development has continued to be dependent and uneven. When we add to this the alarming growth in the world's population and the destruction of nature which modernizing processes have produced, the result is a new kind of world poverty and a huge acceleration in efforts to immigrate — legally or illegally. Thus the International Labour Organization, a UN body, has estimated that 820 million people, or 30% of the world's labour force were without a job or underemployed at the end of 1994. Things have worsened since. By one recent estimate, more than two *billion* people—nearly one third of the total population of earth live on the equivalent of less than a dollar a day (Reich, 2006). Dividing the globe into north and south, the ILO concludes: 'What we have is a globalization of the labour markets, a new division that is emerging. It means that the south will get more involved in labour intensive production and the north will have to find niches related to high-tech production. *No single country can tackle this on its own anymore*' (*The European*, 24 Feb-2 March, 1995).

The Present and Immediate Future

When we think of capitalism we still tend to think in 19th century terms of the factory system which separated household and industry and organized workers with machines into a division of labour on the shop floor controlled by supervisors and bosses. The smokestacks belching black smoke are gone and so indeed is industrial capitalism as that term is generally used. Of course, there are still factories but even these look little like Henry Ford's automated car-assembly line where workers worked an eight hour day for a wage which allowed them to buy the cars they were producing.

In *The Condition of Postmodernity* (1989), David Harvey offers that a new system emerged with Ford and that this system (which he calls “Fordist-Keynesian”) developed, matured and more or less began give way in the 1970s, at the end of the long boom which following the end of World War II. Harvey calls this period of capitalism Fordist-Keynesian because these two names capture two of its key features. From a technological and organization point of view, Henry Ford’s Dearborn, Michigan auto plant was essentially an extension of trends already well in motion. Business organization was already corporate, even if at the end of the century large size organizations had been greatly extended through a wave of mergers, trusts and cartels. Similarly, the division of labour and the separation between conception, management, control and execution on the shop floor was by then standard. As Harvey (1989, p. 126) writes, ‘What was special about Ford ... was his vision, his explicit recognition that mass production meant mass consumption, a new system of the reproduction of labour power, a new politics of labour control and management, a new aesthetics and psychology, in short, a new kind of rationalized, modernist, and populist democratic society.’

Ford would create not only a new type of worker, but a new type of man. He would be hardworking, but he would be a *consumer*, working for his nuclear family who would also consume in a world where the standard of living would continue to improve; with their new car, they would be mobile, and enjoy both city and country. (Compare Schor, *The Overspent American*.) The Keynesian part of the term comes from the work of John Maynard Keynes (1936) who wrote the *General Theory of Employment, Interest and Money*. It had long been recognized that left to its own devices, the capitalist system was subject to recurring booms and busts. This had come to a dramatic head in the Great Depression of 1929. Although this depression had world-wide effects, it had begun in the US with Black Thursday, the collapse of the New York Stock Exchange. Within months, hundreds of factories closed and unemployment soared. By 1934 over 20 million were unemployed in the US alone.

A new mode of regulation was invented to remedy this. This emerged in the 1930s, both with the New Deal of Franklin Delano Roosevelt and with the more authoritarian solutions being explored in Japan, Germany and Italy. World War II ended the Great Depression exactly because government became involved in the economy, not merely as the safety net of last resort, and regulator of capitalist exchange processes, but as Keynes had already suggested, as the critical investor in the economy (through massive government spending to build tanks and aircraft).

After the war, under US hegemony, capitalism in the advanced countries realized a long period of strong and sustained growth. Living standards rose and mass democracy was preserved and extended to nations which had no experience of it. Harvey notes that trouble was evident in the 1960s, especially with the full recovery of the West German and Japanese economies which entered global capitalism as players seeking export markets. The Fordist-Keynesian solution no longer sufficed. Harvey argues that if one word suggests its fundamental flaw, it is “rigidity”. He writes:

There were problems with the rigidity of long-term and large-scale fixed capital investments in mass production systems that precluded much flexibility of design and presumed stable growth in invariant consumer markets. There were problems of rigidities in labour markets, labour allocation, and in labour contracts (especially in the so-called 'monopoly sector). And any attempt to remove these rigidities ran into the seemingly immovable force of working-

class power-hence the strike waves and labour disruptions of the period 1968-72. The rigidities of state commitments also became more serious as entitlement programmes (social security, pension rights, etc.), grew under pressure to keep legitimacy at time when rigidities in production restricted any expansion in the fiscal basis for state expenditures (Harvey, 1989, p. 142).

One needs only to look at the daily newspaper to see evidence for current responses to these sorts of “rigidities”. Thus, we hear constantly about downsizing, sub-contracting, the huge increase in part-time benefit-less work, especially for females who for the first time exceeded the number of males in the workforce. Similarly, we can recall President Reagan’s dramatic attack on PATCO, the air controllers union, so-called Thatcherism, and more recently the Republican "contract with America" and the adoption of what is termed neo-liberalism, a resuscitation of the laissez-faire policies which were so popular late in the nineteenth century.

Viewed from the point of view of developing capitalism, Harvey calls the new period “flexible accumulation”:

It rests on flexibility with respect to labour processes, labour markets, products and patterns of consumption. It is characterized by the emergence of entirely new sectors of production, new ways of providing financial services, new markets, and above all, greatly intensified rates of commercial, technological and organizational innovation (Harvey, 1989, p. 147).

These changes have enormous, if unclear, consequences on a host of other deeply related issues, including the character of contemporary (postmodern?) culture, but especially experience of space and time and perhaps more critically, our experience of ourselves and of our relations to others and to nature. Thus, to take one example, the annihilation of space through time which was always part of the capitalist dynamic has now created the “Global Village”. As Marshall McLuhan put it:

After three thousand years of explosion, by means of fragmentary and mechanical technologies, the Western World is imploding. During the mechanical ages we had extended our bodies in space. Today, after more than a century of electronic technology, we have extended our central nervous system itself in a global embrace, abolishing both space and time as far as our planet is concerned (Quoted in Harvey, 1989, p. 293).

Globalization

Much of the foregoing is often referred to as the consequence of globalization. While it is clear that globalization is a real phenomenon, one can fail to acknowledge its complex and multi-dimensional character. Depending upon how it is characterized, globalization takes on enormous ideological freight. One popular view, well articulated by Thomas Friedman (1999, p. 7), holds that ‘globalization involves the inexorable integration of markets, nation-states and technologies to a degree never witnessed before’. Friedman (2005) has more recently coupled this idea with an idea that “the earth is flat”. He quotes the co-founder of Netscape: “Today, the most profound thing to me is the fact that a 14-year-old in Romania or Bangalore or the Soviet Union

or Vietnam has all the information, all the tools, all the software easily available to apply knowledge however they want’.

All of this is important, but we must resist the temptation to think of social processes as “inexorable” — as if there are neither choices nor future surprises. Who would have thought that “actually existing socialism” in Eastern Europe and the Soviet Union would so precipitously collapse, or that nineteen terrorists would destroy the World Trade Center, two events which dramatically altered the world? Similarly, we cannot reduce globalization processes to economics and technology. Technology is socially shaped just as it is socially shaping and, as above, *there are always choices*. Similarly, the governments of the nations of the world have not been passive actors, and their decisions will remain critical factors in outcomes — economic, cultural and educational (Steger, 2005). Here the US plays a special role. Unfortunately, global poverty and inequality are greatly exacerbated by what is often called “neo-liberalism,” a globalizing myth promoted by the US-dominated International Monetary Fund (IMF), World Bank, and World Trade Association (WTO). It insists that for the sake of efficiency the state must withdraw social safety nets and even long-term investment in schools and transportation, and that markets, including international markets, must be free as the neo-classical economist understands this (Stiglitz, 2002).

Thus Americanization is an obvious feature of globalization, since not only is the use of US military power a critical variable, but US corporations are still dominant forces in the global political economy. Moreover, a host of American cultural features, many propelled by new technologies of mass communication, are now global – even if these have a distinctly local look (Ritzer, 2004). But all of these tendencies provoke resistance. Surely, capitalism is the crucial variable in all of this, but given the contingencies of history, it is quite impossible to say what capitalism will look like in the future — even, perhaps, in the relatively near future.

Capitalism’s Long-Term Future?

There are those with rose tinted glasses who now speak of “virtual capitalism.” Some brief remarks on the implications of digitization conclude this chapter.

It is easy to have a mental image of a virtual university. It is an institution which would grant degrees, would have an administration, students and faculties, but since all the transactions between administrators and students and faculty would take place electronically, it would not exist in *any* place. It would be wherever there are individuals with access to the Internet. Indeed, if we think of the learning taking place asynchronously, that is, students and faculty, and students and students interact at their leisure (perhaps within a specified time frame), then even time loses much of its relevance to the process.

No such image of a virtual capitalism is possible. This is the case because more than electronically transmittable information is essential for any economic system to exist. But the fact that something of what is essential to capitalism is electronically transmittable opens some possibilities. There are a number of visions. One, influenced by Alvin Toffler, the author of *Future Shock*, was articulated by former Speaker of the US House of Representatives, Newton Gingrich. He wrote:

More and more people are going to operate outside corporate structures and hierarchies in the nooks and crannies that the Information Revolution creates. While the Industrial Revolution herded people into gigantic social institutions-big corporations, big unions, big government – the Information Revolution is breaking up these giants and leading us back to something that is – strangely enough-much like Tocqueville's 1830s America (Quoted in Dawson and Foster, 1996, p. 40).

Electronically mediated home work does make possible significant shifts in work activities away from centralized work places and this is occurring both among very low waged workers and well-paid telecommunicators, still, it is hardly clear that these tendencies will bring us back to something even remotely like Tocqueville's 1830s America. These are not more or less autarchic yeoman farmers who gather together on the Village Green to discuss matters of local civic life. Rather, they are much better understood under the heading of flexible accumulation. That is, the information highway is planted on top of the existing structure of highly corporatized global capitalism. This means at the most elementary level, that home work will be encouraged only if it is cheaper than on-site work and only if it can be readily controlled. Moreover, if there are a host of functions essential to capitalism which can be electronically mediated, direct marketing, data gathering, even forms of decision making, there will remain material production functions which will stay place-based. Indeed, there is a pronounced tendency on the part of many writers to think of capitalism, not in terms of production, but in terms of circulation, that is, the whole range of tasks from assembling capital to marketing goods. Bill Gates' vision of "friction-free capitalism" is representative of this (Gates, 1995).

Following the assumptions of standard economic theory, Gates believes that the internet gives us the capacity to have the perfect knowledge that is a condition for a perfectly competitive market. As we noted earlier, on the standard theory, if every buyer knew every seller's price and every seller knew what every buyer was willing to pay for what they wanted to buy, then we will be in a 'new world of low-friction, low-overhead capitalism in which market information will be plentiful and transaction costs will be low'. This is the idealization of consumer sovereignty which we looked at. And, as before, there are a number of problems with this picture. To summarize: buyers are not rational in the sense required. They do not walk around with demand schedules in their heads. Wants and urgencies change. Knowing the price is anything but sufficient information for prospective buyers. Buying from mail-order catalogues works, but who has not been disappointed with what came in the mail? In actually existing capitalism, not all sellers are in price-competitive markets and there is no reason to think that electronic communication will change this. Indeed, Gates rightly sees that the big difference will be in marketing. But even here there are serious issues. Gates sees one of them.

For him, the new technologies allow sellers to target buyers more effectively. 'The information highway will be able to sort consumers according to much finer individual distinctions, and to deliver to each a new stream of advertising' (quoted in Dawson and Foster, p. 51). But of course, the character and rationale of advertising is not changed by this. After telling us that interactivity will allow buyers to purchase custom made products, e.g., a pair of jeans, he notes that the menu choice is from pre-determined alternatives. This is a superficial sort of consumer sovereignty. As usual, the alternatives are provided for us; our ability to "choose" is mainly a weapon of mass marketing,

producing additional inducements to buy. (Compare here “choices” on the new car in Schor, 1998.)

Given corporate domination of markets, there is little reason to believe that new technologies will give consumers better information. They may well get less. The *New York Times* ran a piece entitled "Why You Can't Tell what Things Cost" (2 March 1997). It concluded:

Price confusion – the inability to figure out who's offering the best bargain, or even to know the true cost of something after you've bought it-has seldom seemed so universal. The traditional laws of supply and demand once imposed a semblance of order and clarity on prices [it was more price rigidity enforced by oligopoly which did this], but today they are being so haphazardly amended by pell-mell technological changes and new marketing wrinkles that the American marketplace now offers all the certainty of a Mideast bazaar – maybe less.

Airlines, hotels, car rental agencies offer different deals every day; mail order catalogue, corporate discount plans and direct-marketing schemes assault retail markets by offering goods and services ‘at reduced or “wholesale” prices whatever that means’. Many of these are simply scams which allow merchandizers ‘to change what they want and pocket a substantial profit, with the poor consumer not the wiser’.

Of course, as another recent *NY Times* feature reported, retail stores “fight back”, and evidently one of the more successful ways they are doing this is precisely by doing what electronic marketing cannot do: giving people ‘the pleasure of physically being somewhere, of going to a place that was bigger, grander and in every way more exhilarating than anything the customer could experience at home’ (*NY Times Magazine*, 6 April 1997). Niketown is an example.

The first thing you think of when you see Nike’s new flagship store on East 57th Street in New York is that this is not a store at all. Niketown's facade is a takeoff on an old New York high-school building. You enter through turnstiles, in the manner of a sport's arena, to find yourself in a sleek, futuristic, five story atrium into which, at 30 minute intervals, a three-story high screen descends and a video softly plugging Nike products is play along with a crescendo of recorded music. There are displays of sports memorabilia and a chance to hit a punching bag. Where are the sneakers?

Retail merchandizing has always sought to enhance the experience of buying and Niketown and the Mall, now under transformation as a Disneyland for shopping is but the latest step.

Finally, as Gates also sees, information will itself be marketed. Gates notes that there are those who think that Internet will give us unlimited free access to information. He says that while ‘a good deal of information, from NASA photos to bulletin board entries donated by users, will continue to be free, I believe that the most attractive information, whether Hollywood movies or encyclopedic databases, will continue to be produced with profit in mind’ (Quoted in Dawson and Foster, p. 52).

Mass communication was neatly defined by C. Wright Mills (1958). It means that a few people speak to millions and there is little ability to speak back (to raise questions, offer criticisms, point out

fallacies, produce evidence which was ignored). By contrast, he defined a public as existing where there were as many speakers as listeners and there was full opportunity to respond. The Internet could be a technology which allowed people to bypass the corporate media giants and to communicate globally with one another (McChesney, 1999). In the 1970s most of the world's telecommunications systems were non-profit, state owned. (The Internet was, of course, a creation of the US Defense Department.) Today, most telecommunications systems are owned by a handful of global telecom networks. Indeed, Merrill Lynch is predicting that some 20% of all future investment banking revenues will derive from telecommunications. TCI Chairman John Malone predicted: '[T]wo or three companies will eventually dominate the delivery of telecommunications services over information superhighways worldwide. The big bubbles get bigger and the little bubbles disappear'. Telecommunications giant Rupert Murdoch put the matter squarely: 'Monopoly is a terrible thing until you have it' (Quoted in Dawson and Foster, 1996, p. 43). Indeed, there is currently a struggle over whether the internet will be a critical feature in the constitution of publics or be reduced to a medium serving the interests of giant corporations.

But here, as always, the future will be the product of decisions made by all of us. It is an important goal of this book to give citizens some of the tools needed to be thinking participants in this yet-to-be future.

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