

Supply-Chain Tourist: Or How Globalization has Transformed the Labor Question¹

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I'm not much of a tourist, but I'm proud to think that I have visited what are, arguably, the three most important nodes of capitalist production during the last hundred years. When I toured the huge Ford production complex at River Rouge, during the winter of 1978, "Detroit," as both organizational metaphor and industrial city, was already well past its prime. But the world of classical Fordism still cast an impressive shadow across the economic landscape and the social imagination. The Rouge then employed some 30,000 workers in a highly integrated complex of 17 buildings that sucked in iron ore, silica, and coal at one end and transformed them into steel, glass, axles, fenders, and engine blocks, before assembling all those parts into a set of cars and pickups that were the visible marker of U.S. manufacturing prowess and working class well-being. You could almost touch it: the giant parking lots, the smokestacks belching hot white vapor from the giant Rouge power plant, the modernist, glass and steel Ford World Headquarters a couple of miles away, and the suburban swath of single-family, working-class houses that stretched for miles from Dearborn to Ypsilanti. Visit the Detroit Institute of the Arts and you could find the still stunning set of Diego Rivera murals that captured this Fordist world in all its romance and brutality.¹

¹ First delivered as a talk at the University of Maryland, November 14, 2005.

Twenty-seven years later I flew into Bentonville, Arkansas to tour a second node of the capitalist world. It is easy to get there because there are so many direct flights, from Denver, Chicago, La Guardia, and Los Angeles, to this once remote Arkansas town. It is still not very big. Between Fayetteville and the Missouri line there are hardly more than 200,000 people. But it is one of the fastest growing metropolitan regions in the country. In Bentonville, where Wal-Mart maintains its world headquarters in an unimpressive, low-slung building hard by the original company warehouse, the parking lots are full, the streets crowded, and new construction everywhere.

Most important, Bentonville is home to at least 500, and perhaps a thousand, branch offices of the largest Wal-Mart “vendors” who have planted their corporate flag in Northwest Arkansas in the hopes that they can maintain or increase their sales to the world’s largest buyer of consumer products. Proctor and Gamble, which in 1987 may well have been the first company to put an office near Wal-Mart’s headquarters, now has a staff of nearly 200 in Fayetteville; likewise Sanyo, Levi Strauss, Nestle, Johnson and Johnson, Eastman Kodak, Mattel, and Kraft Foods maintain large offices in what the locals sometimes call “Vendorville.” Walt Disney’s large retail business has its headquarters, not in Los Angeles, but in nearby Rogers, Arkansas. These Wal-Mart suppliers are a Who’s Who of American and international business, staffed by ambitious young executives who have come to see a posting to once-remote Bentonville as the crucial step that can make or break a corporate career.² If they can meet Wal-Mart’s exacting price and performance standards, their products will be literally sucked into the huge stream of commodities that flow through the world’s largest and most efficient supply chain. For any manufacturer, it is the brass ring of American salesmanship, which

explains why all those sophisticates from New York, Hong Kong, and Los Angeles are eating so many surprisingly good meals in northwest Arkansas. ³

The final stop on my recent tour of the capitalist world was Guangdong Province in coastal South China. With more than 40 million migrant workers, thousands of factories, and new cities like Shenzhen, which has mushroomed to more than seven million people in just a quarter century, Guangdong lays an arguable claim to being the contemporary “workshop of the world,” following the in footsteps of 19th century Manchester and early 20th century Detroit. This was my thought when we taxied across Dongguan, a gritty, smoggy, sprawling landscape located on the north side of the Pearl River between Guangzhou (the old Canton) and skyscraper etched Shenzhen. We drove for more than an hour late one Sunday afternoon, along broad, but heavily trafficked streets, continuously bordered by bustling stores, welding shops, warehouses, small manufacturers, and the occasional large factory complex. This is what Michigan Avenue or West Grand Boulevard must have felt like in 1925 or even 1950, before recession and deindustrialization had shuttered the shops, denuded the factories, and silenced the sidewalks.

Because of its proximity to Hong Kong and Macao, as well as its remoteness from the capital, the Chinese government in Beijing chose Shenzhen as a special economic zone in 1979. A few years later the entire Pearl River Delta became a virtual free market, with low corporate taxes, few environmental or urban planning regulations, and most importantly, the free movement of capital and profits in and out of the region. The results were spectacular. Gross Domestic Product in the Pearl River region leaped from eight billion in 1980 to \$351 billion in 2006. Shenzhen’s population rose twentyfold.

Guangdong province itself, which covers most of the Pearl River Delta, produces a third of China's total exports. And ten percent of all that finds its way to Wal-Mart's U.S. shelves.⁴

Although Wal-Mart owns no factories outright, its presence is unmistakable. Its world buying headquarters is in Shenzhen, and it has already put several big stores in the province, with more to come. Wal-Mart is feared and respected by everyone involved with any aspect of the export trade, which is why the executives at the Yantian International Container Terminal in Shenzhen, now the fourth largest port in the world, give Wal-Mart bound cargoes top priority. "Wal-Mart is king" a port official told us. Indeed, when we visited there, two of their top executives were on their way to Bentonville. On the same trip managers at the huge Nike-Yue Yuan factory complex in Dongguan bragged that they could fill an order from the states in just two months. Modern highways and bridges speed cargo to the container port where ships are loaded in half the time it takes California longshoremen to accomplish the same task.⁵

The Rouge, Bentonville, Guangdong: the past and present of capitalist production, global trade, and management technique. And a new configuration for a "labor question" which once again vexes all those who work within or comment upon the global pathways that move so much of the world's commerce from one continent to another. Indeed, these regimes of production and distribution, from the Rouge to Guangdong, pretty well mark the arc traveled by my own historical and political imagination. I was part of the New Left generation that "industrialized" round about 1970, following in the footsteps of David Montgomery, Stan Weir, and Archie Green, who were part of the college-educated generation that spent a decade or more on the shop floor during and after World War II. I

never actually got my hands dirty in this fashion, but for nearly two decades my intellect and my inspiration were shaped by rust belt factories, mills, and mines and the women and men who made them hum or better yet, brought them to a silent halt during a work stoppage.

My interest in studying the auto industry and its workers in the 1970s arose out of the same motivation that propelled a goodly number of comrades and colleagues to actually get a job at the Rouge, Chevy Gear and Axle, or Chrysler's storied Jefferson Avenue assembly plant. These were the companies, the production facilities, and the workers who occupied the "commanding heights" of the American economy. As the management theorist Peter Drucker put it in 1946, when near continuous warfare between shop militants in the auto factories and their management adversaries seemed the fulcrum for an even larger set of class politics, "The automobile industry stands for modern industry all over the globe. It is to the twentieth century what the Lancashire cotton mills were to the nineteenth century: the industry of industries."⁶ The production of motor vehicles then held a cultural and ideological importance that made an understanding of this economic sector central to figuring out the way twentieth-century society worked. Henry Ford had once celebrated the machinery of mass production as the "new Messiah," a viewpoint with which the Soviets could find much in common. So if Engels had studied the condition of the working class in Manchester to seek a revolutionary solution to the labor question of his day, my generation would have a similar motivation for its investigation of the social politics of Detroit and the world historic industry with which it was near synonymous.

Of course, the American automobile industry, which had seemed so solid and stolid during the middle decades of the 20th century, was already beginning to crumble, putting into question the model of corporate governance and working-class organization that went with it. That was too bad because both academic mandarins as well as leftwing labor historians found a certain tidy logic to the market-making, price-setting supremacy of General Motors, U.S. Steel, and General Electric. They were all vertically integrated manufacturing firms that truly occupied the commanding heights of the U.S. economy, and whose organizational template was being reproduced throughout the world. Harvard's Alfred Chandler argued that the visible hand of management had replaced the unpredictable anarchy of the free market when it came to actually running these giant bureaucracies; likewise Peter Drucker had greatly irritated top executives at General Motors when he described their company as an essentially political organization, not unlike that of a state planning bureaucracy, when he published *The Concept of the Corporation* in 1946.

All this greatly pleased left-wing labor historians of my generation. If the market was indeed a myth, and if a business elite set prices, cartelized markets, determined wage levels, and influenced government regulatory policy, then a politically sophisticated counter mobilization, working-class at its core, but also including a popular front of consumers, liberal intellectuals, and partisans of the newly proletarianized immigrants and African-Americans, might well shift American politics to the left. The unions were obviously central to this project, and a farsighted labor leadership essential. C. Wright Mills captured the hopes and fears of this labor metaphysic in his 1948 study of the union leadership, *The New Men of Power*:

“To have an American labor movement capable of carrying out the program of the left, making allies among the middle class, and moving upstream against the main drift, there must be a rank and file of vigorous workers, a brace of labor intellectuals, and a set of politically alert labor leaders. There must be the power and there must be the intellect. Yet neither the intellectuals nor the workers at large are in a position to take up an organizational key to the matter; and neither intellectuals nor rank and file are now running labor unions in the United States.”⁷

It would not be an exaggeration to say that the entire first half of my academic career has been an attempt to figure out why the unions failed to do what Mills and his generation had once hoped they might accomplish.

One reason for that failure is that the structure of American capitalism has been transformed during the last third of a century, and with it the agenda of a good slice of the academic left. The rise of Wal-Mart embodies this transformation, but today it is by no means a unique business enterprise. Rather, it symbolizes the power, at home and abroad, of a set of corporations whose structure and outlook differ quite radically from the mid-century manufacturing titans which once seemed so potent and permanent. Today, more people are employed in the retail sector of the economy than in all of manufacturing and construction combined. Wal-Mart, with 2.1 million employees world wide is by far the largest private sector company on earth, and in terms of the proportion of U.C. Gross National Product that it commands, rivals that of General Motors and U.S. Steel in their heyday. But Wal-Mart owns no factories either in the U.S. or East Asia; it does not even own or operate the container ships or the four million square foot San Bernardino distribution center that is so crucial to the transshipment of the billions of dollars in

consumer products that leave Hong Kong and Shenzhen each month, destined for sale on a million Wal-Mart shelves in more than 4,000 North American discount stores. Wal-Mart is not General Motors: there are no unions, most employees are women, and the company manufacturers nothing. But just as GM once set the pattern for wages, working conditions, pensions, and health benefits for a huge slice of the American economy, so too does Wal-Mart and its retail rivals do so much to construct the employment template today. With the possible exception of the big Wall Street banks, these retailers are by far the most influential enterprises in American business today.

All this caught us by surprise, and by “us” I don’t just mean labor historians. For decades neither economists nor politicians gave retailing the respect it deserved. Shopping was what we did once all the heavy lifting had been sweated out of us: after the steel had been poured, the automobiles assembled, the skyscrapers built, and the crops harvested.

But the new and innovative set of great retailers that emerged by the 1990s were not just huge employers with an enormous stream of revenue; their connections with a global manufacturing network were practically incestuous. They might not own the Asian or Central American factories from which they sourced all those big-box consumables, but their “vendors” were linked to them by a “supply chain” that evoked the iron shackles subordinating slave to master.

Wal-Mart and the other retailers are global companies, but globalization is hardly a new phenomenon. Ford had begun to sell cars abroad as early as 1913 and after 1919 it was truly a world-wide corporation with rubber plantations in Brazil, dealerships in Great Britain, and assembly plants in Australia and South Africa. Early in the 20th century U.S.

world trade, as a percentage of GNP, was double the proportional size it would achieve in the 1950s and 1960s and not all that lower than it is today. But there is a huge difference between the globalization of Ford and that of Wal-Mart. In the Fordist era that Dearborn - headquartered manufacturing enterprise turned the central gear of a supply chain that extended all the way from Brazilian rubber plantations and the Minnesota Iron Range to your neighborhood auto dealer. The manufacturing enterprise – above all that vast assortment of buildings, machinery, and men that constituted the great River Rouge complex - stood at the center of Ford’s purchasing/production/distribution nexus. Indeed, for roughly a century, from 1880 until 1980, during the heyday of domestic, oligopolistic mass production, U.S. manufacturers reigned supreme, often “administering” prices in order to achieve healthy profits and cartel-like control of markets.. Even the manufactures of food items and light consumer goods, like Hartz Mountain, Gillette, 3M, Hershey, Kraft, and Coca Cola conducted themselves in an imperious manner when they stocked the shelves of the regional grocery and drug chains that sold their wares.

Today, however, the retailers stand at the apex of the world’s supply chains: they use their enormous buying power and highly sophisticated telecommunication links to dominate all aspects of the production/distribution/sales nexus. At least one half of all global trade revolves around and is driven by the supply chains that have their nerve centers in places like Bentonville, Atlanta (Home Depot), Minneapolis (Target), Troy, Michigan (K-Mart), Paris (Carrefour), Stockholm (Ikea) and Issaquena, Washington (Costco). Using a wide variety of new information technologies, these retailers collect point-of-sale (POS) data and relay it electronically through their supply chain to initiate replenishment orders almost instantaneously. Thus when Wal-Mart sells a tube of

toothpaste in Memphis, that information passes straight through the P & G headquarters office in Cincinnati, flashing directly to the toothpaste factory in Mexico which adjusts its production schedule accordingly.⁸

Wal-Mart is therefore not simply a huge retailer, but increasingly a manufacturing giant in all but name. The retailer tracks consumer behavior with meticulous care and then transmits consumer preferences down the supply chain. Replenishment is put in motion almost immediately, with the supplier required to make more frequent deliveries of smaller lots. This is just-in-time for retailers, or “lean retailing.” To make it all work, the supply firms and the discount retailers have to be functionally linked, even if they retain a separate legal and administrative existence. The giant retailers of our day, Wal-Mart first among them, “pull” production out of their far flung network of vendors. The manufacturers no longer “push” it onto the retailer or the consumer. Or to extend the metaphor, the nearly continuous stream of container ships which move between Shenzhen and the Long Beach/Los Angeles port complex are “pulled” across the Pacific, not “pushed” by the Chinese manufacturers who stuff their product into nearly half a million 40 foot containers each year. Moreover “pull” production requires speed, predictability, and accuracy in the delivery of goods. “Supply Chain Management” – that is the new Business School buzz phrase – is the “science” of getting this to happen in the most efficient and cost-effective way.⁹

All this has made life increasingly difficult for workers both at home and abroad. The rise of a system of global supply chains, with their multilayered set of factories, vendors and transport links, has created a world system in which legal ownership of the forces of production have been divorced from operational control. This shift has

generated a system in which accountability for labor conditions is legally diffused and knowledge of the actual producers is far from transparent. In effect, we are building a universal sweatshop in which the same unregulated competitive pressures have been unleashed that once made life so miserable in London's East End or on the Lower East Side of Manhattan. The globally dispersed system of production that exists today means that if workers fight for their rights in one factory, the manufacturer might well shift its production to another, "friendlier" one – often in another country. Just as tenement sweatshops opened and closed in rapid succession a century ago, so too are contemporary factories readily moved around the globe – even from China, which has reportedly lost manufacturing to other Asian countries (such as Vietnam) as a result of rising wages and the implementation of a new contract labor law.¹⁰

Globalization is too sweeping a word to describe this new regime or the new labor question it has engendered. I prefer the historically resonant term "merchant capitalism." The retail dominated supply chains that now organize such a large proportion of international trade herald the return to prominence and power of a particular organizational form in the history of world capitalism which we once thought long past. Merchant capitalism was and is a form of market exchange, primarily in commodities, in which traders, shippers, merchants and financiers play key roles over and above the commodity producers and manufacturing enterprises of our time. The last time such a system reigned supreme came in the century before the American Civil War when the sale and distribution of cotton, tobacco, sugar, and wheat was controlled by the great trading companies and financial institutions of New York, Liverpool, and London. Like the global retailers of our time, they favored free trade, a weak regulatory state,

transnational production, and cheap, if not unfree, labor. They were often partisans of the Southern cause, not unlike contemporary retailers who find that authoritarian regimes in Asia, Central America, and parts of Africa are most hospitable to the kind of sweated labor that lies at the base of their giant supply chains. ¹¹

And it is an economic structure whose global reach, political agenda, and labor relations bulwarks the conservative, neo-liberal turn that has shifted politics and economic policy to the right throughout those North Atlantic nation-states which once seemed so firmly on the road to social democratic regulation of the market. Contemporary merchant capitalists, like their antebellum ancestors, favor a weak state and an unregulated market, thus limiting the capacity of any polity to regulate and structure labor and employment standards. Needless to say, this thinning of state capacity is not what Karl Marx had in mind when he predicted the withering away of the state.

Nevertheless, the decline of the regulatory state and the manufacturing-based trade unions that once sustained it is having a large impact on the way scholars and activists conceive of the modern labor question and its remedies, making some of the ideas and movements that came to the fore in the 19th century relevant once again. Although the socialist idea is certainly in eclipse, the definition, measurement, and advocacy of human rights now constitutes a pervasive way in which we define the extent to which individuals hold and exercise citizenship, both civic and industrial. Indeed it was in precisely such circumstances that the world's first human rights NGO, the British Anti-Slavery Society, came to play an outsized role in curbing the excesses that flowed from the merchant capital regime. And like today's NGOs it deployed the weapons of the weak: investigation, exposure, moral suasion, and boycott. Similar groups, on both sides

of the Atlantic, including the Congo Reform Association, the Consumer's League and the NAACP, would later utilize many of these same approaches in their efforts to resolve that bundle of social pathologies that constituted the labor question of their era.¹²

Today many non-governmental organizations exist which monitor, expose, berate, and measure the working conditions and environmental standards that exist in the factories from which Wal-Mart and other retailers source their product. Human Rights Watch, the Fair Labor Association, the Workers Rights Consortium, and the numerous Hong King based groups keep the pressure on Wal-Mart, Nike, Disney, and Target. In response, Wal-Mart and all the other retailers have developed their own sometimes quite elaborate codes of social responsibility. The effectiveness of these internal monitoring arrangements is subject to considerable debate. In general they have some impact at the margins, but make no fundamental transformations in the way Wal-Mart goes about purchasing its goods or in the way its contractors go about producing them.¹³

It is revealing, of course, that so much international attention now attaches to the development and implementation of these codes of conduct. In the heyday of American Fordism, most critiques of the social impact of industrial capitalism were directed toward the key manufacturing enterprises, largely by trade unions and the government, but sometimes by organized consumers as well. It is a tribute to and indication of the shift in the structure of world capitalism, that we now direct our concern toward the brands and retailers that today stand at the apex of their global supply chains. That is because the essence of the 21st century labor question, as well as its resolution, no longer resides at the point of production in a struggle between workers and the owners of the factories in which they labor. Instead the site of value production in the contemporary world is found

at every link along a set of global supply chains, in which the manufacturer and the warehouse operator, the ports and the shipping companies, the retailers and their branded vendors jockey for power and profit. To tame this system we'll need ideas and institutions, social movements and new legal structures that are truly global in their ambition and effectiveness.

But at this point in the early 21st century no set of voluntary organizations, worker alliances, governmental organizations or rival economic institutions has generated either the will or the wherewithal to transform these retail-driven supply chains. And that is why Wal-Mart and its clones occupy so much terrain along the heights of our world economy and why, for this historian as well as so many other scholars, these companies have become such a source of fascination and disdain, not unlike that once commanded by the great automobile enterprises headquartered in or near Detroit.

¹ For some evocation of all this see, *Walter Reuther: The Most Dangerous Man in Detroit* (Urbana: University of Illinois Press, 1997), 16-17.

² Author's interview with Hillary Claggart, April 29, 2005, Bentonville; Jeff Glasser, "Boomtown, U.S.A.," *U.S. News and World Report*, June 25, 2001, 17-20; Anne D'Innocenzio, "Wal-Mart Suppliers Flocking to Arkansas," *The State*, September 21, 2003, 1.

³ Lichtenstein, *The Retail Revolution: How Wal-Mart Created a Brave New World of Business* (New York: Picador, 2010).

⁴ Joseph Y.S. Cheng, *Guangdong: Preparing for the WTO Challenge* (Hong Kong: Chinese University Press, 2003); Michael Enright, Edith Scott, Ka-mun Chang, *Regional*

Powerhouse: The Greater Pearl River Delta and the Rise of China (Singapore: John Wiley, 2005), Joe Studwell, *The China Dream*, (London: profile Books, 2005)

⁵ Robert Marquand , “China Coast as Factory of the World,” *Christian Science Monitor*, December 16, 2003, p 1, Author’s interview with Helen Du, YICT, September 13, 2005.

⁶ Peter F. Drucker, *Concept of the Corporation* (New York 1983)

⁷ C. Wright Mills, *The New Men of Power: America’s Labor Leaders* (Urbana: University of Illinois Press, 2001) pp.201.

⁸ “Wal-Mart, P&G Link up for Efficiency,” *St. Louis-Post Dispatch*, February 14, 1989, 12B; Constance Hays, “What’s Behind the Procter Deal? Wal-Mart,” *New York Times*, January 29, 2005, C1.

⁹ Edna Bonacich with Khaleelah Hardie, “Wal-Mart and the Logistics Revolution,” in Lichtenstein ed., *Wal-Mart: The Face of Twenty-First Century Capitalism*, 163-188. The etymology of the phrase “supply chain” is instructive. In the 1980s, business consultants like Bain and Company coined the phrase “value chain management” or “supplier rationalization” to describe how components and materials were purchased and transformed into saleable goods. Industrial relations scholars Frederick Abernathy and John Dunlop used the phrase “commodity channels” as recently as 1999 to describe the way apparel moved from Asian and Central American suppliers to North American retailers. In the 21st century, however, the artful “supply chain,” has become the pervasive terminology, especially in the hands of theorists such as Gary Gereffi and Gary Hamilton, who have emphasized the market-making potential of the contemporary buyer-driven supply networks in order to more clearly evaluate the hierarchy of power and profitability that characterizes contemporary global trade. For an overview of this literature see Jennifer Bair, “Global Capitalism and Commodity Chains: Looking Back, Going Forward,” *Competition and Change* 9, 2 (June) 129-156; and Gary Gereffi and Miguel Korzeniewicz, eds., *Commodity Chains and Global Capitalism* (Westport, CT: Praeger, 1994), 95-122.

¹⁰ Lichtenstein, *The Retail Revolution*, pp. 1-9, 35-52; Excellent essays covering workers, entrepreneurs and states in a single industry are found in Gary Gereffi, David Spender, and Jennifer Bair, editors, *Free Trade and Uneven Development: The North American Apparel Industry after NAFTA* (Philadelphia: Temple University Press, 2002).

¹¹ Glenn Porter and Harold Livesay, *Merchants and Manufacturers: Studies in the Changing Structure of Nineteenth-Century Marketing*, (Chicago: Ivan R. Dee: 1971), p 29-34; Sven Beckert, “Merchants and Manufacturers in the Antebellu North” in *Ruling America: A History of Wealth and Power in a Democracy*, ed. Steve Fraser and Gary Gerstle (Cambridge: Harvard University Press, 2005) , 116-17.

¹² This is a large topic. For starters see, Thomas L. Haskell, “Capitalism and the Origins of the Humanitarian Sensibility, Part I,” *American Historical Review*, vol 90 (April 1985), pp. 339-361; Richard McIntyre, *Are Workers Rights Human Rights?* (Ann Arbor: University of Michigan Press, 2008).

¹³ Among the many studies see especially, Pun Ngai and Yu Xiaomin, “Wal-Martization, Corporate Social Responsibility, and the Labor Standards of Toy Factories in South China,” in Anita Chan, ed., *Wal-Mart in China*, (Ithaca: Cornell University Press, 2011)