

Low-Wage Capitalism: Colossus with Feet of Clay

Review of Fred Goldstein`s Book

By [Gregory Elich](#)

Theme: [Poverty & Social Inequality](#)

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Low-Wage Capitalism: Colossus with Feet of Clay by Fred Goldstein. New York: World View Forum, 2008. Paper, \$19.95, pp 313.

Fred Goldstein's book went to press in the autumn of 2009 just as the full extent of the crisis in capitalism was becoming manifest to all. Since that time a spate of articles and books have appeared, attempting to explicate the processes that led to the economic slump. Yet few have done so from an explicitly Marxist perspective. *Low-Wage Capitalism* does more than merely fill that gap, it provides a deeply considered analysis written with verve and clarity.

The first section of the book addresses economic globalization, in which "transnational corporations are able to pit workers in the rich, developed imperialist countries in a direct job-for-job wage competition with workers in poor, underdeveloped, low-wage countries on an ever-widening scale."

In a historically short period of time, from 1985 to 2000, "the number of workers worldwide available to the transnational corporations for exploitation more than doubled." With the demise of the Soviet Union and East European socialism, the opening of China to foreign capital and the ceding by India of control over its economy to the dictates of the IMF and World Bank, global capitalism has vastly increased the global pool of labor. Technological developments over that same period of time have made the exploitation of this expanded labor force feasible. Goldstein points out that there have been corresponding effects of a less direct nature. With the loss of trading partners in the socialist world, many African, Latin American and Asian nations were left with little choice but to accede to the demands of "the neo-liberal offensive of the IMF and the World Bank - that is, economic austerity programs, privatization of state industry, deregulation, and removing barriers to foreign imports and capital investment." The expansion of the worldwide labor force available for capitalist exploitation has had the inexorable result for workers in the developed nations of seeing their wage level "being increasingly determined internationally and under the downward pressure" of low-wage countries. Along with that, there has been a shift in the nature of work in the U.S. In 1985, the largest employer was General Motors, with its unionized workforce. Today, the nation's largest employer is Wal-Mart, paying near-poverty wages without adequate benefits.

One of the areas where this book really shines is in its numerous case studies. The amount of detail shows an impressive level of research and grasp of the facts. For example, large brand-name companies outsource production to sweatshop factories abroad to take advantage of near slavery wages and working conditions. But even this is not sufficient, and these corporations generally demand control over the functioning of how these factories are

run. Goldstein quotes an apparel executive who explains that apparel companies will insist on controlling the plant where their orders are filled. It may be owned by the plant's owner, but "to all intents and purposes" it belongs to the apparel company.

An executive at a Romanian factory reported that his German clients "continually watch over our shoulders and tell us how to do everything." Western corporations can be ruthless not only with a factory's workforce, but with its ownership as well. "Even with long-standing German customers, we have endless negotiations about every conceivable problem that could come up. One of these German brand-name firms had sixty percent of our capacity. Two years ago, they wanted to place a big order and insisted on a lower price. We hesitated, and they cut us off with a single fax – even though we'd been doing business with them for years."

In the second section of the book, Goldstein outlines the thirty-year assault on the American workforce. The net effect has been more deleterious than is often realized. "Over three decades of outsourcing, offshoring, and immigration, the pressure has become more insidious than a market crash. The confidence of workers has been slowly and imperceptibly undermined by the bosses' gradualist piecemeal tactics: layoffs in one plant or a group of plants, staggered over time and in different industries and regions. Production is shifted to low-wage areas behind the backs of the workers. Over time, concessions have been made to the bosses in increments. It all adds up to a massive attack on the entire class, but in slow motion. The workers are influenced by what has become known as the 'fear factor' and their leadership has shown no way out."

There has been a historical shift in the cyclical nature of capitalism. In the past, employment would bounce back after economic downturns, but as Goldstein's statistical analysis shows, with each of the previous three recoveries there has been a progressively smaller degree of job creation. That we are now said to be undergoing a "jobless recovery" only confirms that long-existing trend. Layoffs continue even as new jobs are created. In the age of globalization, mass layoffs, "in addition to being permanent, take place during the boom period as well as the bust period."

It is well known that there has been a sharp drop in manufacturing jobs. Less well known is that U.S. manufacturing firms have at the same time seen a boost in their output. In the five year period ending 2005, manufacturing output increased nearly 8 percent while employment dropped by more than 17 percent. Profits, not surprisingly, also rose sharply. "The vast rise in the mass of profits was based upon increasing the rate of exploitation of labor through technology and the simultaneous steady expulsion of workers from manufacturing."

The process of offshoring has had a strong impact on the mentality of the workforce. "The fear of offshoring is a powerful weapon in the hands of the bosses, one that they use ruthlessly to intimidate workers, extort concessions, and undermine union organizing drives."

The final section of the book is entitled, "Lessons from the Past for the Future Struggle," and in which the author presents a salutary survey of the labor movement and its struggles. As elsewhere in the book, the case studies buttress the author's arguments and make for revealing reading. The capitalist offensive has put unions on the defensive, settling for concessions as a means of attempting to limit the scope of damage. Meanwhile, the new

wave of technology has had the effect of systematically deskilling jobs and thereby also tending to eliminate union jobs. Past examples of successful union organizing point the way forward. Greater solidarity among unions and workers, so that each labor action is not so isolated and vulnerable, wider organization and unified struggle.

The product of years of research, *Low-Wage Capitalism* addresses far too many topics to mention in a brief review. Taken on their own, any one of the themes covered in *Low-Wage Capitalism* may not be particularly unique. But what is quite special about this book is having all of this material in a single source, so well analyzed and integrated, sharply analyzed, backed by extensive research and written in an engaging style. I know of no other book that covers our current economic predicament so well and in such an interesting manner.

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