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Globalization? No Question! Foreign Direct Investment and Labor Commanded
Massimo De Angelis and David Harvie

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rrpe   Globalization? No Question! Foreign Direct Investment and Labor Commanded

MASSIMO DE ANGELIS

School of Social Sciences, Media and Cultural Studies, University of East London, Dockland Campus, University Way, London E16 2RD; M.DeAngelis@uel.ac.uk

DAVID HARVIE

School of Management, Ken Edwards Building, University of Leicester, Leicester LE1 7RH; d.harvie@leicester.ac.uk

Abstract

Skeptics of the globalization thesis argue that most Third World countries are "virtually written off the map" (Hirst and Thompson 1999) in terms of foreign direct investment and trade. The authors reexamine the empirical evidence on international investment, drawing on the concept of labor commanded. Recalculating foreign direct investment flows in terms of labor-commanded hours instead of U.S. dollars, the authors find developing countries to be highly integrated into the global economy.

1. Introduction

During the past few decades, the number of different definitions of "globalization" has mushroomed, together with their associated explanations and rationalizations. This vast literature is divided across academic/intellectual disciplines; the partialities inherent in each disciplinary framework have led to different conceptualizations of globalization, regarding it as principally economic, social, political, or cultural. For example, Held et al. (1999: 2–10) proposed a useful classification of approaches toward the study of the phenomenon,

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distinguishing skeptical, transformationalist, and hyperglobalist theses. Following this classification, Hoogvelt (2001: 120) suggested that "these approaches correspond [respectively] to whether one views globalization as primarily an economic, a social or a political phenomenon."

The skeptics, whose argument we will critically discuss in this article, adopt a primarily economic perspective. They question the relevance of notions such as globalization to describe global trends in foreign direct investment (FDI) and trade in the past quarter century. In contrast, the transformationalists regard the process of globalization as "primarily a social phenomenon that has brought qualitative changes in *all* cross-border transactions" (Hoogvelt 2001: 120). The phenomenon in question is what David Harvey (1989) has called "time-space compression," and its emergence can be seen in the fusion between information and telecommunication technology, as well as in the reduction in transport costs (Dicken 2003). These two factors have combined to bring the "annihilation of space through time." They have thus created a "new economy" based on networks and a consequent transformation of cross-border activities, which is then called "globalization" (Castells 1996).

Finally, the hyperglobalists tend to emphasize power and politics. Their focus is the nation-state, the relevance of which is problematized in the context of global trends. Here the thesis advanced (see, for example, Strange 1996) is the declinist view of the state. Comparing the power of business and transnational production networks, on one hand, with that of nation-states, on the other, these authors concluded that the former is growing relative to the latter. A common illustration of this approach is the ranking of transnational corporation and government powers, as measured by their net revenue. Such a ranking positions companies such as Ford, Texaco, and GM above Brazil and other poorer states (see Sklair 2002). The declinist thesis is that nation-states have lost power over their own economies and instead are simple "transmitters of global market discipline to the domestic market" (Hoogvelt 2001: 120).

Our modest aim in this article is to problematize the skeptics' thesis from a critical political economy perspective. By doing this, we open up the economic point of view to "contamination" with issues of power and qualitative change, which are of relevance to other discussions of globalization. It must be clear that our purpose here is not the discussion of this contamination but rather the proposal of an entry point to the discussion.[1] This entry point is the discursive problematization of the empirical evidence on FDI that the skeptics provide in support of their argument. FDI is defined in terms of some monetary unit, such as U.S. dollars. Following an old tradition of radical political economy, we argue that this monetary definition conceals underlying social relations; in fact, money is a social

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1. We are of course aware that many economists, mostly working outside the mainstream, do refuse to consider the economic, the social, and the political as independent spheres and instead regard them as interrelated. Yet in our approach, we are prone to reject this distinction altogether. For us, the understanding of money as labor commanded that we develop in the article implies that the three spheres are simply three analytical determinations of one immanent social relation. We are trying to attract attention to this social relation.

2. Although the category of labor commanded as discussed within the classical political economy tradition can offer interesting insights when compared to Keynes's use of wage-units in his *General Theory,* the comparison is beyond the scope of this section. For an interesting case of such a comparative analysis see Amado (2003).

relation, yet it appears to us as a thing. Here we propose an alternative measure, one that can help to make more visible these social relations and can therefore open to account for their critical problematization. Drawing on classical political economy's category of labor commanded, we thus define the new variable labor-commanded FDI.[2] To our knowledge, neither the large empirical current literature on FDI nor the current theoretical-historical literature on labor commanded has opened to the question of power in the way we propose.[3]

The structure of the article is as follows. In section 2, we first outline the skeptics' criticisms of the globalization thesis before suggesting some problems with this economic approach. In section 3, we discuss the theoretical foundations of the concept of labor commanded, which are to be found in the work of Adam Smith, David Ricardo, and Karl Marx. The article's quantitative heart is section 4. Here we explain how we transform the empirical evidence on FDI, cited by the skeptics in support of their arguments, into a measure of labor-commanded and present results. These results show that far from being marginal to the global economy in terms of quantity of labor commanded, developing countries are, in fact, highly integrated into it. We conclude, in section 5, by countering anticipated criticisms of our methodology and suggesting directions for future research.

2. Globalization and Its Skeptics

According to skeptics of the globalization thesis, such as Hirst and Thompson (1999), Linda Weiss (1997, 1998), and David Gordon (1998), the extent of globalization, in particular its novelty, has been grossly overstated. Hirst and Thompson claimed even that they were "convinced that globalization, as conceived by the more extreme globalizers, is largely a myth" (2). To make their argument, the skeptics have charted quantitative historical comparisons of foreign trade and capital movements and have concluded that globalization, as a worldwide integration of national economies, is nothing new. In fact, taking proxy measures of integration such as share of FDIs over production or incidence of trade in national economies, they suggest the world is less integrated now than it was in the early part of the nineteenth century.

Thus, for example, Glyn and Sutcliffe (1992) wrote: "The system has . . . become more integrated or globalized in many respects. . . . Nevertheless what has resulted is still very far from a globally integrated economy. . . . In short, the world economy is considerably more globalized than 50 years ago; but much less so than is theoretically possible. In many ways it is less globalized than 100 years ago. The widespread view that the present degree of globalization is in some way new and unprecedented is, therefore, false" (91, cited in Dicken 2003: 11).

Hirst and Thompson (1999) reached a similar conclusion. Examining postwar investment and trade flows, they found that "between 54 per cent and 70 per cent of the world's population was in receipt of only 16 per cent of global FDI flows in the first half of the 1990s. In other words, between a half and two-thirds of the world was still virtually written

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3. Some of the recent discussion of the category of labor commanded includes, for example, Naldi (2003), Screpanti (2003), and Glyn (2006).

4. The value of women's unwaged work was recently estimated to be US$11 trillion per annum (United Nations 1995).

off the map as far as any benefit from this form of investment was concerned" (74). Kleinknecht and ter Wengel (1998), focusing on the EU, found that "to the extent that trade [and FDI] exceeds the frontiers of the European Union, the lion's share of transaction still takes place among the rich OECD countries, notably with the US. Looking at long-run trade figures, one can also question the proposition that we are currently experiencing an historically unique stage of internationalisation" (638).

In the skeptics' approach, then, globalization as global integration is put under question or even treated as a myth because the bulk of FDI and trade is concentrated in the triad of North America, Europe, and Japan, the dominant economic blocs. However, there are several broad problems with this solely economic approach to globalization. Here we focus on one of them: measure.

The problematic of measure permeates almost every issue of interest to (political) economists. Regarding globalization, if this phenomenon is understood as one of the integration of people and livelihoods across the globe, then to what extent do patterns of FDI (and trade) flows measure it? To what extent does a knowledge of trade and investment quantities give insights into the mutual relations between a mother's work of reproduction in Indonesia, say, and a steel worker's work of production in Indiana, or a call-center worker's service labor in India? It is not just that there is no monetary measurement for mothers feeding children; there is no market value attributed to this work at all.[4] But despite the lack of measurement of such work, patterns of capital investments cannot be theorized independently of it, that is, independently of differentials in the conditions of reproduction, much of it unwaged, of labor power in different localities.[5] Hence, and perhaps paradoxically, capital movement does in a sense measure the relative conditions of the reproduction of labor power and the accumulation of capital more generally. That is, capital flows provide an index of an amalgam of wage rates differentials, degree of revolts and insubordinations, degrees of normalization to markets, extent of state public spending on entitlements and public services, and so on. For if we assume that capital flows to those locations where it can find workers who are healthy, sufficiently willing and hardworking, and appropriately skilled and where, moreover, wage rates (and labor costs in general) are sufficiently low, then the fact that capital does (or does not) flow into a particular location indicates that these conditions do (or do not) exist.

What is the implication of all this for our critique of the economic view of globalization? The implication is that monetary measures for us matter more as a moment in a process (indeed, a contradictory process based on conflict and on the articulation between monetized production and nonmonetized reproduction) than a static picture of a structure. For this reason, to argue, as the skeptics do, that trade and FDI are concentrated in the triad does not in fact question globalization as a process of capitalist integration. On the contrary, this empirical evidence perhaps reveals the capitalist character of the process of integration,

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5. The tendency to ignore questions of reproduction and its relationship with production is one of the other problems with purely economic approaches to globalization. If globalization is viewed solely as a question of integration of different economies, that is, the monetized set of human activities that produces commodities, then we ignore the crucial set of questions concerning the integration of reproductive activities, which include large chunks of unwaged labor. This problem is thus closely linked to the problem of measure.

one based on the command over labor and its differentiation along a continual reconfigur-ing international division of labor. Given the miserable wages of the global South in rela-tion to those paid in the Northern developed countries, and the overall lower value of labor power in these countries, the fact that only 15 or 20 percent of world FDI flows into the South may demonstrate not that global investment is unfairly distributed but rather that it is fairly distributed, according its capacity to command labor within the process of capitalist accumulation.

For example, in the United States, $20 will employ one worker for 1 hour; that is, it will command just a single hour of labor time. But in China or Thailand, $20 can put four people to work each for 10 hours, while in India, that $20 is sufficient to put ten people to work, each for 10 hours. When the difference that $20 makes is between commanding 1 hour of labor time, on one hand, and commanding 40 hours or 100 hours, on the other, it matters much less that less FDI goes to the South. This is the problematic introduced by what classical political economy calls labor commanded.

3. Theoretical Foundations of Labor Commanded (Smith, Ricardo, Marx)

As is well known, Adam Smith introduced the notion of labor commanded in one of two theories of value. In his first "labor-embodied" theory, a commodity's value is deter-mined by the labor time materialized, or embodied, in it, that is, the quantity of labor nec-essary to produce it. In the second "labor-commanded" theory, the commodity's value depends on the labor it can itself command. Now these two definitions of value are in con-tradiction as the former (embodied or materialized labor) is independent from the value of labor (wages), while the latter depends on the value of labor. According to Smith (1970), materialized labor was true in "the early and rude state of society which preceded both the accumulation of stock and the appropriation of land, the proportion between the quantities of labour necessary for acquiring different objects seems to be the only circumstance which can afford any rule for exchanging them for one another" (150). This condition is altered "as soon as stock has accumulated in the hands of particular persons" (151). That is, as soon as private property is introduced, "something must be given for the profits of the undertaker of the work who hazards his stock in this adventure" (151). Furthermore, as soon as land becomes private property, "the landlords, like all other men, love to reap where they never sowed, and demand a rent even for its natural produce" (152).

Thus, in the "civilized" state of society, the value of a commodity resolves into labor commanded: "The value of any commodity . . . to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities" (Smith 1970: 133). Ricardo advances two interlinked objections to Smith's theory of labor commanded. First, Smith's notion of labor commanded depends on the value of labor. But the value of labor depends in turn on the value of those commodities constituting workers' subsistence. Thus, we go round in circles. Second, suppose the labor required to produce a given quantity of food doubles. "Yet, the labourer's reward may possibly be very little diminished" (Ricardo 1951: 15). This is because Ricardo assumes subsistence-level wages. Thus, if we measure the value of that quantity of food in terms of labor embodied, value has doubled. But if we

measure that same quantity of food in terms of the labor for which it will exchange, then value has remained constant (the same amount of food sets in motion the same amount of labor). For this reason, Ricardo proposes his own version of the labor-embodied theory of value: "The value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production, and not on the greater or less compensation which is paid for that labour" (Ricardo 1951: 11).

Marx also rejects Smith's theory of labor commanded as a theory of value. Instead, he founds his value theory not on the quantity of actual (concrete) labor embodied in an individual commodity but rather on the quantity of (abstract) labor socially necessary to produce it. Marx's critique recognizes that labor time does not stop being the immanent measure of value "from the moment when the conditions of labour confront the wage-labourer in the form of landed property and capital" (Marx 1969: 73). Rather, it is the "expressions 'quantity of labour' and 'value of labour' [that] are not identical," and therefore, the value of a commodity "although determined by the labour-time contained in them, is not determined by the value of labour" (Marx 1969: 73).

If labor commanded is not for Marx the immanent measure of value, it gives us another important indication, and he qualifies Smith's view in its role:

> When [Smith] comes to the exchange between materialized labour and living labour, between capitalist and workers, and then *stresses* that the value of the commodity is now no longer determined by the quantity of labour it itself contains, but by the quantity . . . of living labour of others which it can command. . . . He is not in fact saying by this that commodities themselves no longer exchange in proportion to the labour-time they contain; but that the *increase of wealth,* the increase of the value contained in the commodity, and the extent of this increase, depends upon the greater or less quantity of living labour which the materialised labour sets in motion. And put in this way it is correct. (Marx 1969: 77)

Surprisingly, this acknowledgment of "something deeper" (Marx 1969: 71) in Smith's argument has generally been overlooked by the extensive exegetic literature of Marx's theory of value. If the value of labor power is not an indication of the value of commodities, it is certainly an important factor in determining the amount of living labor that can be put to work by a given quantity of capital. It can therefore provide us with an idea of the "increase in wealth" (in value terms) that a certain quantity of capital (still in value terms) can potentially generate through setting living labor in motion.

This meaning, in which Marx refers to labor commanded as that quantity of living labor that is set in motion by a given amount of capital, is also evident in other contexts of his writing (see, for example, Marx 1981: 323). There is however another sense in which we can gain insight by the term *labor commanded*. This is the potential living labor that can be put in motion by a certain money value of capital. This understanding, in fact, relates back to Hobbes's insight that wealth is power and to Smith, who also links labor commanded with power. This power consists precisely of that "command over all the labour" (Smith 1970: 134). Marx, in turn, argues that "the power which each individual exercises over the activity of others or over social wealth exists in him as the owner of exchange value, of money. The individual carries his social power . . . in his pocket" (Marx 1973: 156–57). This conception of labor commanded stresses the power of money to control others' time, to put people to work, to command labor, whether or not this power

is actually exercised. Indeed, the command over labor and the exercise of this command refer to two different concepts within Marx's theory of value and surplus value, which is based on the distinction between labor and labor power. The former is not a commodity but a life-activity-creating value. The latter is a commodity to be exchanged on the market and has a price like any other commodity. Labor commanded therefore is not yet a measure of labor expended, although it gives us an indication of the amount of labor that can be expended, that can potentially be set in motion.[6]

Changes in quantities of labor commanded, therefore—as reflected in changes in monetary FDI patterns translated into labor commanded, for example—do not give us an indication of labor actually expended or embodied; rather, they point to changes in the quantity of waged labor that can potentially be set in motion within the accumulation process. However, this quantity is also dependent on the level of wages, which in turn depends on general conditions of labor power reproduction. Thus, in this context, the notion of labor commanded opens up the problematization of a variety of factors, including relations between classes and between waged and unwaged sections of the working class, which the simple monetary measures of FDI disguise. This problematization is of course beyond the scope of this article.[7]

To summarize this section, there are two ways in which we can conceive of labor commanded: first, as a measure of value (for Smith) or increase in value, that is, of surplus value (for Marx); second, as a measure of the (possibly potential) quantity of living labor that can be set in motion by a quantity of money as capital. It is the second meaning that is of interest to us in this article. By converting statistics on FDI and trade from money terms into terms of labor commanded, we can gain insights into the increase in control over wealth, understood in terms of labor time that can potentially be set in motion by a given quantum of money, which results from these indicators of economic globalization. In short, the question of the extent to which global capital is inserting itself into people's lives cannot be answered by considering only absolute quantities of money. Instead, we must examine also the potential labor (life) time that these quantities can set in motion in different contexts. We turn to this task in the next section.

4. FDI and Labor Commanded

4.1. Method

Given monetary flows of FDI, valued in U.S. dollars, we obtain figures for annual labor commanded by dividing these FDI inflow figures by U.S. dollar values of hourly wage rates in manufacturing. That is, the number of hours of labor commanded in country i in year t by FDI inflows, lc_{it}, is given by,

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6. Of course, whether such labor is actually set in motion is also an interesting question. The answer will depend on the quality of the labor power (its skill levels, degree of subordination, and so on), on market conditions, and ultimately on power relations.

7. For a general discussion of the link between waged production and unwaged reproduction within the context of current global dynamics of production, see De Angelis (2007).

$$lc_{it} = \frac{FDI_{it}}{e_{it}w_{it}},$$

where FDI_{it} is annual FDI inflow (in U.S. dollars) into country i in year t, e_{it} is the exchange rate against U.S. dollars, and w_{it} is the hourly labor cost in local currency.[8]

We then sum across developed and developing countries to obtain aggregate annual figures:

$$LC_{D'edt,} = \sum_{i(D'ed)} lc_{it},$$

$$LC_{D'ingt,} = \sum_{i(D'ing)} lc_{it}.$$

We follow the United Nations's conventions regarding definitions of "developed" and "developing" countries.[9] We then select the top twenty developed-country and top twenty developing-country recipients of FDI during the period from 1970 through 2002. These countries are, in descending order:

Developed. United States, United Kingdom, Belgium-Luxembourg,[10] France, Federal Republic of Germany, Netherlands, Canada, Spain, Australia, Italy, Ireland, Denmark, Japan, Switzerland, Austria, Finland, Norway, Portugal, New Zealand.

Developing. China, Hong Kong, Brazil, Mexico, Singapore, Argentina, Malaysia, Chile, Thailand, India, Colombia, Taiwan, Peru, South Africa, Philippines, Indonesia, Pakistan, Sri Lanka, Bangladesh, Republic of Korea (South Korea).

4.2 Results

Aggregate FDI inflow figures for each of these two groups of countries are plotted in Figure 1.[11] Also plotted in Figure 1 are total FDI inflows into developed countries, into developing countries, and globally. It is clear from this figure that the twenty developed countries selected receive the lion's share of all FDI inflows into developed countries (more than 90 percent in every year and 96 percent on average). The selected developing countries account for at least 50 percent of all FDI inflows into developing countries in all but two years (1975 and 1982) and 78 percent on average.

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8. Data are obtained from the United Nations, the International Labor Organization, the U.S. Bureau of Labor Statistics, and the International Monetary Fund. For more details of these sources and the methodology used to estimate labor costs, see the appendix.

9. Clearly, such definitions are historically contingent. For example, Mexico was admitted to the Organization for Economic Cooperation and Development in 1994, while in international trade statistics, the Southern African Customs Union is treated as a developed region. For our purposes, we define both Mexico and South Africa as developing.

10. Prior to 2002, the UN Conference on Trade and Development reported only aggregate figures for Belgium and Luxembourg. We therefore treat Belgium-Luxembourg as a single country.
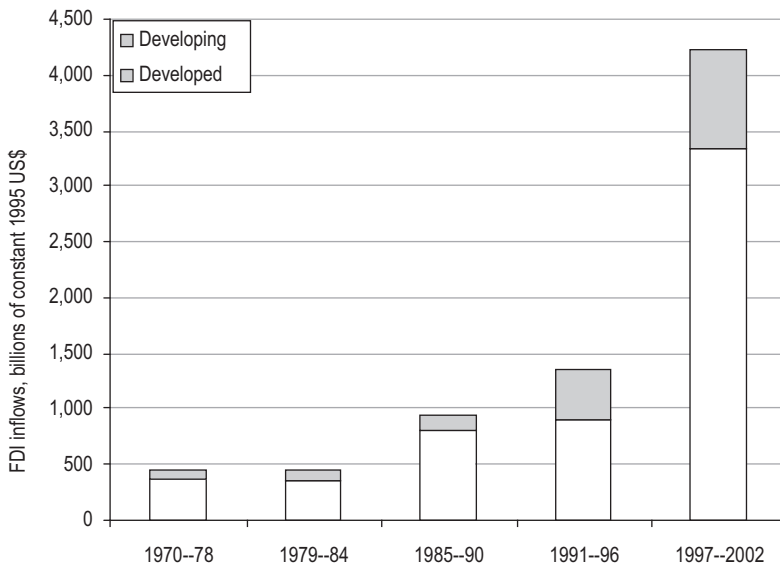
11. Note that the vertical-axis scale is logarithmic.
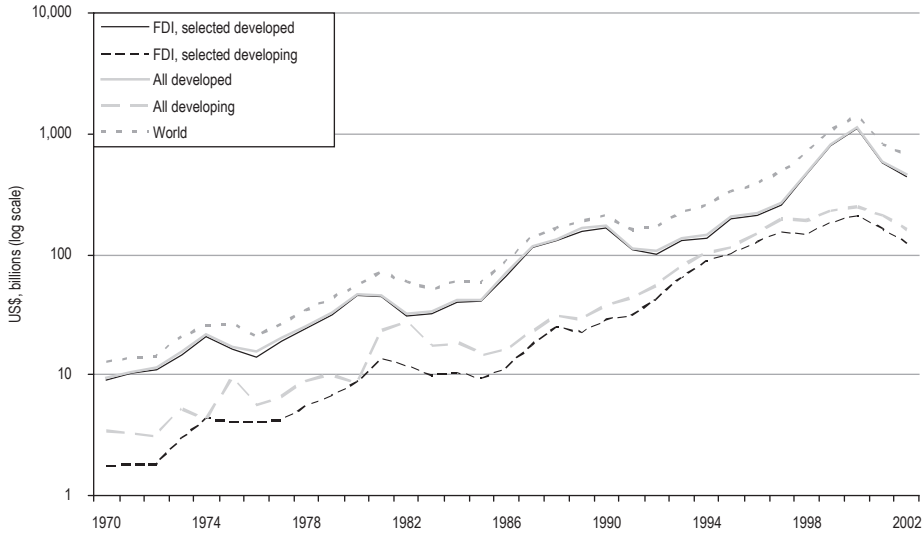
Figure 1.
Annual Foreign Direct Investment Inflows
Source: United Nations Conference on Trade and Development, foreign direct investment database, www.unctad.org.
Note: FDI = foreign direct investment.

Figure 2.
Total Foreign Direct Investment (in Constant Prices) Inflows to
Twenty Developed and Twenty Developing Countries
Source: United Nations Conference on Trade and Development, foreign direct investment database, www.unctad.org.
Note: FDI = foreign direct investment.

We can observe from Figure 1 the empirical basis for skeptics' critique of the globalization thesis.[12] During the three decades, FDI inflows into developed countries have dwarfed those into developing countries, averaging, respectively, 73 percent and 27 percent of total flows.

The data are presented slightly differently in Figure 2, in which we aggregate FDI flows over subperiods. The story is the same, however: FDI has grown exponentially during the three decades, but inflows into developed countries dominate those into developing countries.

In Figure 3, we present results for our new labor-commanded FDI variable for the selected countries.[13] It is clear here that the skeptics' interpretation of globalization is completely reversed. In terms of labor-commanded FDI, the lion's share now "belongs" to developing countries. This is even clearer in Figure 4. When we measure capitalist investment in terms of its potential to mobilize labor, that is, in terms of the social power of money, there would seem to be no doubt: capital's pervasive globalization across the globe can also be made intelligible quantitatively. As far as capital is concerned, therefore, there is no need for greater investment in the South in relation to the North; it is already able to command masses of living labor there, and it is able to do so by paying pitiful wages.

We should stress that none of the figures presented here should be treated as exact. First, we have drawn on data for labor costs or wages in manufacturing only, since this is far more readily available than economy-wide figures. Second, for many countries, complete data on hourly labor costs are not available; for these countries, hourly figures were estimated by also utilizing working-hours series, which themselves are frequently incomplete; labor costs themselves sometimes had to be extrapolated or estimated from earnings or wage series.[14] Finally, the figures published by the various bodies (the U.S. Bureau of Labor Statistics, the International Labor Organization, and the United Nations) are themselves likely to be subject to errors and not always directly comparable, given that sources, coverage, sample sizes, and so on vary from country to country. However, these figures do present a broad-brush overview, which illustrates general trends in FDI labor commanded and comparisons between developed and developing economies.

We can also note that the figures are likely to underestimate quantities of labor commanded in developing countries vis-à-vis developed countries for two reasons. First, as discussed in section 4 above, the twenty selected developed countries received on average 96 percent of all FDI inflows (in dollar terms) into developed countries, while the corresponding figure for the twenty developing countries is 78 percent. To obtain a more accurate reflection of FDI labor commanded in developing countries as a whole then, the figures presented here should be inflated by a factor of perhaps 25 to 30 percent.[15] In contrast, the figures for developed countries need be inflated by only 5 percent. Second, as noted in the appendix below, for many countries and years, labor costs are estimated from figures for earnings or wages. But because of higher rates of business taxation, more stringent laws regulating workplace health and safety, and working conditions generally

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12. Our Figure 1 resembles very closely Hirst and Thompson's (1999) Figure 3.2, although their series end in 1995 (Hirst and Thompson 1999: 71).

13. Again, the scale of the vertical axis is logarithmic.
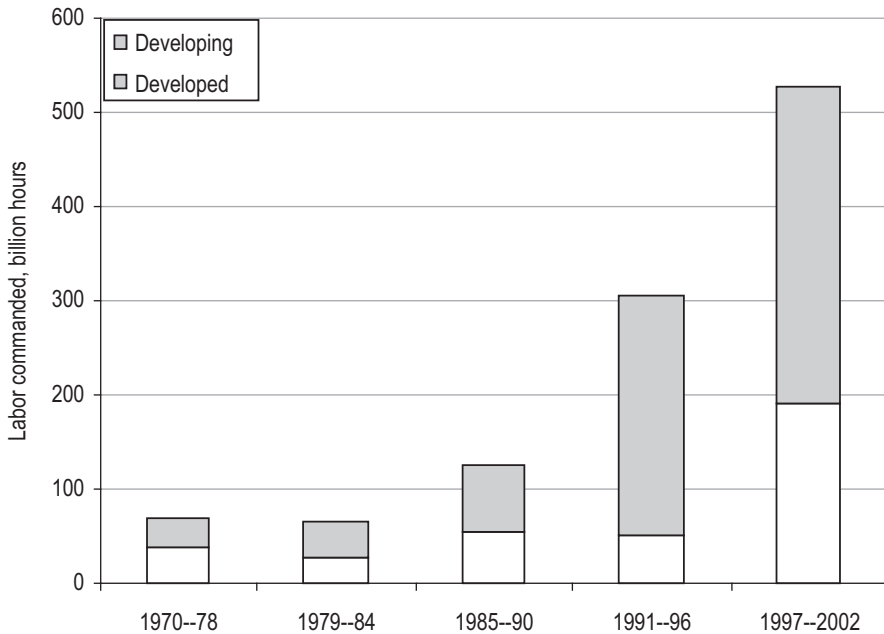
14. See the appendix for more details.

15. The appropriate factor is not constant over the period. In fact, for some years, it would be near 100 percent.
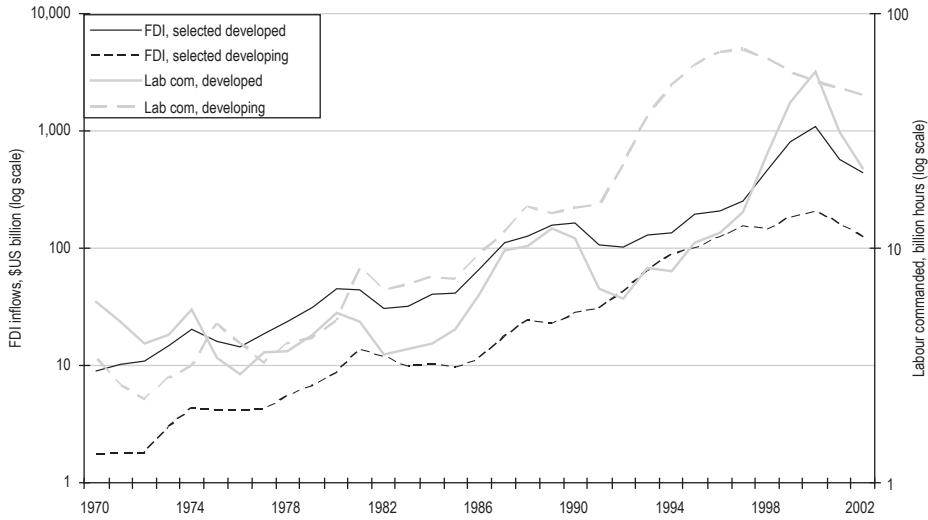
Figure 3.
Annual Foreign Direct Investment Inflows and Labor Commanded for
Twenty Developed and Twenty Developing Countries

Source: Various, see text.
Note: FDI = foreign direct investment; Lab com = labor commanded.

Figure 4.
Total Foreign Direct Investment Labor Commanded Inflows
to Twenty Developed and Twenty Developing Countries

Source: Various, see text.

being more favorable to workers, the ratio of labor costs to earnings will tend to be higher for developed countries than for developing countries. The estimation algorithm does not take this into account, however; thus, developing country labor cost estimates are likely to be biased upwards, and labor commanded estimates will be biased downwards.

We should also emphasize that the concept of labor commanded refers to the potential labor (life) time that can be put to work. It is of secondary importance whether a particular quantum of money capital is actually advanced to employ people, rather than invested in fixed capital, or used to transfer ownership of existing productive assets, say. Thus, the objections of, for example, Weiss (1997, 1998) that a high proportion of FDI is either directed toward "non-productive" assets or is concentrated on merger and acquisition activity do not invalidate our argument.[16]

5. Conclusion

In this article, we have begun to explore the classical idea of labor commanded in its application to modern processes of globalization. In this preliminary work, we have suggested that monetary measures of global FDI trends, when translated into terms of labor commanded, can reveal results that are quite the opposite of those cited by economic critics of the globalization thesis. In fact, according to our estimates of labor commanded, the populations of the global South (developing countries) are "benefiting" from this form of investment far more than populations in the North and are certainly far from being "virtually written off the map," as Hirst and Thompson (1999) suggested.

The approach we have adopted here allows us to problematize the notion, which is held dear by conventional economic wisdom and embedded in economic discourse, that investment is uniquely associated with a benefit to the recipient local population. In fact, a large quantity of labor-commanded FDI could well be associated with poorly performing social and environmental indicators, which results in a high level of labor commanded per dollar. As one example of the double-edged nature of investment, one could reflect on the investment program to build a series of dams along the Narmada River and its tributaries in central India. This investment can certainly be seen to benefit local unemployed laborers and engineers but hardly those thousands of families who have to be displaced to make room for the development. High displacement rates and, in general, the high vulnerability of the local population would be reflected in prevailing wage rates through something akin to the Marxian theory of the reserve army of labor (Marx 1976).[17] The monetary figures of FDI are not able to capture the social costs associated with investment programs.

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16. This is not to say that this question is unimportant. It makes a great deal of difference to the citizens of a host country whether foreign capital invests in a labor-intensive garment factory in an export-processing zone, say, or a fleet of high-tech trawlers employing relatively few fishermen. Similarly, it matters whether this capital is used to set up a new facility or simply assumes ownership of an existing plant. But our argument concerns the metric used to assess the degree to which states are integrated into the global capitalist economy rather than the specifics of how capital exploits workers in a particular state.

17. The Sardar Sarovar Project, the largest single dam in the Narmada Valley Development Project, was able to start only through a World Bank loan of $450 million. Following international pressure and an independent review, however, the bank was forced to withdraw its support of the project (see Caufield 1998: chap. 1).

In contrast, labor-commanded FDI figures, through their emphasis on power and their link to conditions of reproduction captured by the prevailing wage rate, are better able to reflect such issues.

This methodology thus provides a framework within which other questions on power can be posed, and we conclude by suggesting a few such possible studies. In the first place, the same approach can be applied to trade figures, which we anticipate could be revealing of patterns of global integration along the lines we have defined in this article. If relatively small amounts of FDI in developing countries become relatively large amounts of labor-commanded FDI, the same would apply for the relatively small monetary figures of global trade when measured in hours of labor commanded.[18]

Second, for accounting convenience, our analysis has aggregated figures such that the globe has been divided into simply developed and developing countries. But by considering more disaggregated regions—for example, old (Western) Europe, Eastern Europe (the transition economies of the former Soviet bloc countries), the United States and Canada, Japan, Asian newly industrialized countries, China and other Asia, Latin America, Africa—this static analysis can be extended to explore the dynamics and patterns of capital's flows within and between blocs in such a way as to compare FDI and trade estimates in terms of both dollars and labor commanded.

Third and finally, we can gain further insights by more directly investigating the determinants of labor-commanded FDI. As suggested above, these include the general conditions of reproduction of labor power such as literacy, health, education, and the existence or likelihood of social conflict, which can be proxied by rates of unionization, figures on industrial disputes, and so on.[19] The aim here would be to model patterns of labor-commanded FDI flows in terms of general conditions of the reproduction of labor power and of different degrees and patterns of social conflict.

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18. Adopting a slightly different, although complementary, theoretical framework, we might use labor cost figures in conjunction with estimates of the organic composition of capital (the capital-labor ratio) to obtain estimates of labor embodied or labor values.

19. See Weisskopf, Bowles, and Gordon's (1983) "social model," which uses such variables to better explain postwar U.S. productivity growth.

20. We use the package in SPSS, choosing the expectation-maximization method. The algorithm uses information on the relationships between the respective variables—the five earnings or labor cost series, plus the year—where observations are available, to compute the most likely values for years or countries where they are not.

Appendix

Methodology, Data Sources, and Estimation

Foreign Direct Investment

All figures are drawn from the UN Conference on Trade and Development Foreign Direct Investment database (http://www.unctad.org), which reports annual Foreign Direct Investment inflows in U.S. dollars.

Hourly Labor Costs

We draw on three data sources: the U.S. Bureau of Labor Statistics (USBLS), the International Labor Organization (ILO), and the United Nations.

The USBLS publishes data on hourly labor compensation costs and hourly direct pay for production workers in manufacturing in thirty selected countries, compiled as part of its Foreign Labor Statistics program (http://www.bls.gov/fls/home.htm). Data are available for the period from 1975 through 2002 and are published both in local currencies and the U.S. dollar equivalent, which we employ. The thirty countries include all twenty developed countries plus Brazil, Hong Kong, South Korea, Mexico, Singapore, Sri Lanka, and Taiwan of our developing countries. The USBLS's compensation measures include all items of labor compensation, including employer social insurance expenditures and other labor taxes; overtime pay, shift differentials, other premiums and bonuses, and cost-of-living adjustments; holiday pay; the cost of benefits in kind; employer legally required expenditures on retirement and disability pensions, health, and other insurance schemes; and family allowances. The USBLS argues its figures "are appropriate measures for comparing levels of employer labor costs." These figures are thus suitable for our purposes, too.

The ILO also compiles data on manufacturing labor cost/employee compensation and wages, published on its online Laborsta database (http://laborsta.ilo.org). Although the technical definitions of *labor cost* and *employee compensation* differ slightly, the two measures are closely related, and we do not distinguish between them. Both concepts also share many common elements with the USBLS's labor compensation measure. The principal difference between the ILO and USBLS measures is that the former includes costs of recruitment, employee training, and plant facilities and services such as cafeterias and medical services. According to the USBLS, these "account for no more than 4 percent of total labor costs in any country for which the data are available." Substantially complete (during the period from 1970 through 2002) ILO labor cost series are available for seven developed and six developing countries, while partial series are available for a further three developed and two developing countries.

The ILO wage or earnings measure includes employee remuneration in cash and in kind, both for time worked and for time not worked such as annual vacations or other paid leave or holidays. The measure also includes bonus payments and family and housing allowances; it does not include employer contributions to social security and pension schemes or the benefits received by employees under such schemes. Substantially complete ILO wage series are available for all but seven of the forty countries.

Both ILO measures—labor cost/employee compensation and wages/earnings—vary in their reporting unit: per hour, per day, per month, or per year. Where the measure is not reported on an hourly basis, we draw on ILO hours of work data to compute hourly measures.

Finally, the United Nations publishes wages/earnings data, adopting similar definitions to the ILO's (United Nations various years). Substantially complete wages series are available for twenty-two

Appendix (continued)

of our forty countries. Again, where these figures are not provided on an hourly basis, we adjust them using both ILO and UN data on working hours.

The two labor cost series—compiled by the USBLS and the ILO—are clearly most appropriate for our purposes but are incomplete. We employ missing variable analysis to complete these series.[20] Finally, we take the two series' mean.

To investigate the reliability of earnings series in predicting labor cost, we calculate various ratios of the latter to the former. In three out of four possible ratios, we find that it is significantly higher for developed countries than for developing countries. This is to be expected since we would expect developed countries to have more generous systems of social security, more stringent health and safety legislation, and so on. But since the labor costs series are more complete for developed countries, our estimates of these figures for developing countries are likely to be biased upward. As a consequence, we will underestimate labor commanded for this group of countries.

Exchange rates data are drawn from the International Monetary Fund's International Financial Statistics database (http://ifs.apdi.net/imf/).

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Massimo De Angelis is a professor of political economy at the School of Social Sciences, Media and Cultural Studies at the University of East London. He has published The Beginning of History: Value Struggles and Global Capital *(2007, Pluto Press). He is the author of numerous articles on value, social movements, critique of economic theory, and commons.*

David Harvie is a lecturer in finance and political economy at the University of Leicester School of Management. He has written on social movements, value theory and measure, and the political economy of education. He is a coeditor (with Keir Milburn, Ben Trott, and David Watts) of Shut Them Down! The G8, Gleneagles 2005 and the Movement of Movements *(2005, Dissent! and Autonomedia).*