

Philip McMichael

7. THE GLOBAL WAGE RELATIONS AS AN INSTITUTED MARKET

This is not going to be a personal speech, but the invisible hand of Terence K. Hopkins lies about me and in most of what I've written since I left Binghamton. The topic of this paper came out of an interest in the current crisis of wage labor. I'm going to reflect today on some of the methodological dimensions of my work on wage labor. I'm interested in looking at the question of the collapse of wage labor and in trying to understand the political dimensions of that process. I wish simply to put together two of the most enduring methodological influences that I learned from Hopkins in the 1970s, Marx and Polanyi.

I began by thinking about the present conjuncture. And there are two things that struck me. The first is the crisis of wage labor, which raises of course the obvious question, is capitalism collapsing? The second is the rerun of the idea of the self-regulating market, which raises the question whether there will be a protectionist countermovement and, if so, what form could such a movement take under the circumstances of the demobilization of labor around the world?

What I shall do here is question a couple of straightforward propositions. One is the Marxist proposition that the concentration of capital engendered a process of proletarianization, which in turn has usually led to a social-democratic politics. I learned a lot about the concentration of capital from Hopkins back in the 1970s. The second is the proposition from Polanyi that the protectionist countermovement engendered the discovery of society. But of course, the question these days is, where is society located?

Marx and Polanyi in fact bequeathed us methodological legacies that were a good deal richer than these propositions which can in fact be disproved. From Marx, we have the methodological dictum that social categories are the sum total of many determinations and relations (1969). (Somebody observed there are many Hopkinses. It's very clear that Hopkins is a rich totality of many determinations and relations.) Now from Polanyi I take the substantivist approach, the idea of the instituted market. Wage labor forms within the contradictory relations constituting the self-regulating market. In 1834 the Poor Law gave us proletarianization, the 1844 Bank Act gave us the management of national currencies, the 1846 repeal of the Corn Laws gave us the international division of labor and the possibility of reducing the cost of wage foods, and therefore the costs of reproduction of labor. In addition Polanyi argued the notion of the ideological deception of fictitious commodities and the attempt to establish a self-regulating market. And he developed the idea, as we know, of the cycle of commodification and regulation.

Now, picking up from those two methodological points of departure, what I do is conceptualize the wage relation as a global relation. From Marx one can develop the notion of the regime of wage labor, in which capital controls rather than mediates production, and this is part of the reconstruction of the world-economy in the nineteenth century—the relaxation of mercantilist regulations, and the attempts to open up markets and to establish markets on the basis of ever-expanding scale and productivity in industrial capitalism. It also gives us the idea of the reshuffling of global labor relations; to put it simply, the reshuffling of the hierarchy. For example, Marx

talked about slavery being the pedestal of commercial capitalism but now in the nineteenth century slavery is no longer the pedestal. It becomes subject, via the law of value, to the competitive requirements of wage labor and the industrial regime. That, I believe, is how to think about the wage relation as a global wage relation. Polanyi, on the other hand, gives us the idea of the process of instituting a self-regulating market as the process of instituting a “global wage relation.” He doesn’t talk about it in these terms but I believe that we can read precisely that into his study, *The Great Transformation*. For example, he links proletarianization very directly with the instituting of the nation-state within the global monetary regime. This regime is built around the gold standard and the attempt to establish some kind of national control over the commodity money. The nation-state thus forms within the competitive dynamics of the British free trade regime. Colonial territories perform the role of stabilizing world finances via the discipline of forced labor and gunboat diplomacy.

So rather than settling for the notion that Marx and Polanyi extrapolated a particular direction from the consolidation of wage labor, I think it’s more useful to use the “global wage relation” concept, which allows us a much more contingent understanding of the history of capitalism. But history must include ideology and ideology must have a history. The object of Polanyi’s critique was the self-regulating market ideology. He critiqued the idea more for its fictional character than for its force as a vehicle of British hegemony. Alternatively, and I think this is where Marx goes further. Marx understood the methodological and political significance of the critique of commodity fetishism which went further than Polanyi’s notion of the fictitious commodity.

Also, in spite of his world historical insight, Polanyi’s instituted market was largely specified at the national level. For obvious reasons this was the era of the formation of nation-states, and I believe that Polanyi provides us with a very good characterization of the way in which nation-states formed as part of the reaction to commodification via the self-regulating market idea. Nevertheless, Polanyi’s notion gives us almost a naturalistic view of society as national. In turn this becomes

the basis of the ideology of developmentalism. And the ideology of developmentalism, as we know it, became historically significant in the mid-twentieth century and governed the next two or three decades. But now it's beginning to unravel.

And what I want to do is simply ask the question, what is different about the self-regulating market movement today than that of the nineteenth century? First of all, rather than the nation-state forming as a response to the attempt to commodify land, labor, and money, what we are seeing today is the nation-state unraveling with the unraveling of developmentalism. Polanyi argued that instituting markets in general, money markets in particular, encouraged the process of constitutionalism. Central banking needed some kind of political constraint. Today we see that the instituting of global markets increasingly erodes constitutionalism.

Now these are all assertions I don't have time to fill out. But that's the heart of what I'm arguing here. Where Polanyi located the self-regulating market movement in the needs of machine production for ever-expanding inputs and outlets, commodification today is driven as much by fictitious forms of capital. And therein lies the problem. Where Polanyi argued that firms, or, as he put it, productive organizations, needed monetary regulation to survive, firms today favor deregulation. Monetary relations are more and more subordinated to finance capital which thrives on the unstable currency relations in the restructuring of productive capital. And finally, the self-regulating market movement is not the project of a hegemonic state seeking to impose a global colonial system, under the guise of a free trade regime with the banner of the workshop of the world. Rather the self-regulating market movement, which I would term the "globalization project," is a more generalized movement rendered in the financializing preferences of contemporary capitalism. It certainly springs from an Anglo-American initiated neo-liberalism, and the United States focus on the principle of free enterprise. But the attempt to institute a self-regulating market on a world scale stems from, first, the power of offshore money markets, generating a non-territorial form of financialization that constrains all states to manage their finances

according to global criteria; secondly, the centralized authority of debt security rating institutions, especially the IMF and the World Bank, and their power to discipline (most) states and firms; and thirdly, the institutionalization of a global property regime. The move to establish free trade agreements all around the world institutionalizes a global property regime, so that national rights of investment quotas and so forth lose power over the corporate rights enshrined in these macro-regional agreements, symbolized in the creation of the World Trade Organization.

The World Trade Organization is a potential global governing force, governing the process of establishing a global property regime. And, as many of you know, the Europeans, with Japanese and United States support, are attempting to establish a multinational agreement on investment to subordinate states to unlimited freedom of investment. So ultimately, what I'm arguing is that what we are seeing right now is the attempt to restore capital, not the state, as the organizing principle of the world-economy. And this is the difference with Polanyi's nineteenth-century instituted market. The attempt to establish capital rather than the state or the states-system as the organizing principle doesn't mean that states are disappearing; the states more or less embrace these ideas. This movement is restoring the global wage relation to its full force, as part of the infrastructure of the globalization project. The notion of the race to the bottom is materializing in the sense that communities and labor forces are finding that they are competing in an unequal playing field. Looking to the future, and taking a cue from an article that Ravi Palat has in *Theory and Society* (1996), one can argue that informalized labor—a casualization of labor that's occurring not only around us but across the world—may yet become the new pedestal of capitalism, reversing the impact of the law of value on wage labor as a political institution itself.

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