Globalization and the World's Working People*

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Globalization was advertised as being beneficial for all, as constituting a bold step towards universal economic betterment. This was clearly wrong; and it was not just Left economists, but even "mainstream" economists like Paul Samuelson who had said so at the very outset. The reason for their saying so was simple: if the economic regime of the world allowed free imports of Chinese or Indian goods into the U.S.A, then this must necessarily hurt the real wages of the American workers, because the American workers enjoying much higher wages would then be competing, to their own detriment, against the low-wage Chinese or Indian workers. Hence the fact that globalization would necessarily hurt the workers in the U.S.A. and other advanced countries, was obvious to them, and indeed to all, whence it also followed that it could not possibly benefit all segments of the world's working people. But, it was generally believed, according to this argument, that globalization would benefit the workers in countries like China and India, that is in low-wage third world countries.

Putting this argument differently, since free movement of goods and capital across the world increases competition between workers of the different countries, there would be some tendency towards an obliteration of wage differences across these countries; and while this would mean some increase in the real wages of third world workers, it would also mean a reduction in the real wages of metropolitan workers.

This argument can be stated more accurately in terms of the categories of Marxian economics as follows: globalization by shifting economic activities from the advanced countries to the third world (because of the latter's cheap wages) would use up labour reserves in the latter while adding to the labour reserves in the former. This, other things remaining the same, will raise wages in the latter and lower them in the former. Globalization therefore, while not benefiting all the working people, will reduce the differential between the workers in the advanced countries and those in the underdeveloped world. But by this argument, it cannot possibly worsen the conditions of the working people in both parts of the world.

This however is precisely what has happened. Globalization of course has worsened the conditions of the workers in the metropolitan countries, a fact recently highlighted by economist Joseph Stiglitz. Almost 90 percent of Americans, which means almost the entire working population of that country, have real incomes today that are barely above what they were a third of a century ago. The minimum wages of American workers today are in real terms barely above what they were 60 years ago. Since there had been some improvements in these magnitudes in the earlier part of the intervening years, what this means is that there has been a deterioration in the more recent period, which coincides with the heyday of globalization.

An even more telling statistic relates to the sharp decline in life expectancy among white American males in the recent years, a decline that brings to mind the sharp fall in life expectancy which had occurred in Russia after the collapse of the Soviet Union.A decline in life expectancy when there is no obvious epidemic around is a very serious matter; and to find such a decline in the most advanced capitalist country of the world testifies to the assault on the livelihoods of the working people that globalization has caused.

A very similar story can be told about other advanced capitalist countries. The U.S. is held up usually as one of the more successful economies, the prime location of the booms of the nineties and the first decade of the current century, originating respectively from the "dotcom" and the "housing" bubbles, and also the economy that is apparently seeing a revival after the collapse of the housing bubble. Given this, the fact that the working population in that country is facing such hardships is extremely significant. In the U.K. there has been a sharp fall in the real wage rates of the workers in the recent years. Little wonder then that discontent with globalization is rife among the workers in the metropolitan economies, which, since the Left has not taken adequate cognizance of it until now, is being exploited by the Right. Phenomena like the "Brexit" vote, and the emergence of Donald Trump, are explicable in this light.

What is inexplicable by the argument we have been discussing so far, however, is the fact that the working people are worse off even in a large swathe of the low-wage third world countries, of which India is a prime example. The most compelling evidence on this comes from food consumption data. Taking the NSS survey years, 1993-94 and 2009-10, which correspond broadly to the period of neo-liberal policies associated with globalization, the percentages of total rural population with a calorie intake below 2200 calories per person per day (the "benchmark" for defining rural poverty) on these two dates were 58.5 and 76 respectively. The percentages of the urban population below 2100 calories per person per day (the "benchmark" for defining urban poverty) on these two dates were 57 and 73 respectively.

So striking was this increase, especially during a period when India was supposed to have experienced unprecedented GDP growth rates, that the government ordered a fresh NSS survey for the year 2011-12 which was a bumper harvest year, on the grounds that the calorie intake figures for 2009-10, a poor crop year, had been exceptionally low because of the poor harvest. When this survey was completed, the figures it threw up, though no doubt better than what 2009-10 had indicated, still showed a remarkable increase in the percentages of population below these calorie norms during the period of globalization: for the rural population the percentage was 68 (compared to 58.5 for 1993-94) and for the urban population it was 65 (compared to 57 for 1993-94). Both calorie and protein intake per head of population, show decline during the period.

This increase in nutritional deficiency was sought to be explained away in several ways, including the suggestion that it indicated that people were becoming better off and diversifying their consumption away from food towards other things like education and healthcare. But these explanations were palpably spurious: everywhere in the world, as real incomes increase people consume larger amounts of foodgrains directly and indirectly (in the form of processed foods and animal products into whose production foodgrains enter as feedgrains). So, the finding that in India there was an actual decline in foodgrain absorption for all uses and hence decline in both calorie and protein intake during the period of globalization, clearly indicated that the real incomes of the working people, after accounting for inflation, especially the price-rise that accompanies the privatization of essential services like education and healthcare, were on average declining rather than increasing in per capita terms. In other words, a phenomenon similar to that in the advanced capitalist countries was also occurring in India and several other third world countries, which is contrary to the argument presented above, so contrary indeed that few even believe it to be true. How do we explain it?

The argument presented above basically assumed that the essence of globalization consisted in the shift of activities from the advanced countries to third world economies, and that such a shift would basically deplete the third world labour reserves, leading to a rise in wages. What it missed is that globalization also has other effects, including above all a squeeze on petty production by the capitalist sector. The result is that several petty producers leave their traditional occupations to migrate in search of employment to the cities, which swells the total army of labour for capitalism. This migration, together with the natural increase in the work-force, cannot be absorbed into the active army of labour, because neo-liberal policies associated with globalization also lead to a removal of all restrictions on the pace of structural and technological change, which increases the pace of labour productivity growth at the expense of growth in employment.

A vicious circle develops here. To the extent that labour reserves relative to the work-force swell, this leads to a stagnation or even decline in the average real wage rate (and certainly a decline in the real incomes of the working people, which equal the daily real wage rate multiplied by the number of days of employment). The stagnation or decline in real wages in a situation of rising labour productivity results in a rise in the share of surplus in output. Since the surplus, even if we assume that it is fully realized (i.e. there are no problems of deficient aggregate demand), is typically spent on commodities which are less domestic-employment generating than those on which wage incomes are spent, such a shift from wages to surplus has a further employment-contracting effect, and hence contributes still further to a rise in the relative size in labour reserves, and to a further shift from wages to surplus; and so on.

This vicious circle which gets even worse when a crisis develops (because labour reserves relative to the work-force then swell even further), entails that the effect of globalization in accentuating absolute poverty visits the working people in third world economies too and is not confined to the metropolitan workers alone as Liberal economists like Samuelson had visualized.

To say this is not to suggest that all segments of the work-force are equally adversely affected by globalization. Clearly that segment which does enjoy larger employment opportunities because of the shift of activities witnesses an increase in its living standards, and this segment in India typically consists of white collar service sector employees, such as those engaged in IT-related services. The increase in its living standards in turn has multiplier effects on other service sector employment, and so on. Thus a segment, usually classified as middle class, whose absolute size is quite large (despite being small relative to the work-force as a whole), becomes a votary of globalization. Since this segment is articulate and has a disproportionately large weight in the media and in opinion-making, it becomes a useful instrument in the hands of the corporate-financial oligarchy that is integrated into the process of globalization, for propagating its beneficial effects.

The improved condition of a middle-class segment of the work-force, and its consequent support for globalization, is used for creating the false impression that globalization has been good for the Indian people as a whole. A similar use is also made of middle class segments elsewhere in the world, who have benefited inter alia from the immense "financialization" that has accompanied globalization. All this has created a noise which prevents us from recognizing that globalization has actually resulted in a worsening of the conditions of the broad mass of the working people, both in advanced and in underdeveloped countries.

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