



BIROn - Birkbeck Institutional Research Online

Kumar, Ashok (2024) When monopsony power wanes - part one: material conditions. *Historical Materialism* , pp. 1-42. ISSN 1465-4466.

Downloaded from: <https://eprints.bbk.ac.uk/id/eprint/52770/>

Usage Guidelines:

Please refer to usage guidelines at <https://eprints.bbk.ac.uk/policies.html>
contact lib-eprints@bbk.ac.uk.

or alternatively

When Monopsony Power Wanes

Part One: Material Conditions

Abstract:

In this part 1, Material Conditions, I look at the changing material conditions of capital in the most labour intensive manufacturing sectors in the world production. I argue that these changes are leading to waning in the monopsony power. The paper introduces a universal logic that governs competition and reshapes the chain around the question of monopsony in the global supply chain. Put simply, deregulation produces high degrees of monopsony power, increasing the value share for the lead firm. This intensifies competition, exerts downward pressure, and winnows the number of suppliers able to compete. The result is a supplier consolidation. Consolidation increases the surviving suppliers' share of value, which expands access to finance, facilitates self-investment, and raises entry barriers. In part two, Subjective Agency, I look and how these leads the emergence of market spatial inflexibility which has given labour new openings by increasingly their disruptive power.

In February of 1972, Nixon went to China. While American bombers scoured the Vietnamese countryside with defoliants and explosive ordnance, killing and maiming its inhabitants by the millions, Richard Nixon arrived in Beijing, where flashbulbs popped on the tarmac, and a giddy American press corps—already primed to call this ‘the week that changed the world’—went into ecstasy. An avowed anti-communist, no less, this president—the first to ever visit the People’s Republic—had crossed the Pacific to extend an historic offer. Officially, it was peace. The US and China were not to be friends yet, but cordial acquaintances *agreeing to agree* on future agreements, eventuating in normalised relations¹.

By positioning the US—at arm’s-length—on China’s side, Nixon and Kissinger had turned the mutual suspicion cleaving Sino-Soviet relations into an irreparable rift whose parties could now be dealt with on more favourable terms (see: SALT I, for example, was inked three months later). But this wasn’t just an exercise in geopolitical manoeuvring, meant to isolate the USSR. There were other motives afoot, motives concerning the future of the world economy and America’s place at its centre.

With the global financial and monetary system of Bretton-Woods deteriorating fast in the 1960s, it had become urgent that US monetary imperialism undergo transformation. First, by suspending gold convertibility of the dollar in 1971, US Federal Reserve Chair Paul Volcker & co. removed the cap that had been placed on America’s balance of payments by tying it to a finite material. Next, an ingenious reversion: instead of acting as the world’s creditor (drawing on its now-depleted gold reserves), the US would become its chief debtor, exploiting to the hilt that old saw, ‘If you owe the bank \$100, that’s your problem. But if you owe the bank \$100 million, that’s the bank’s problem’ (the dollar’s value being kept afloat by the petrodollar). By greasing the wheels of commerce, and the palms of politics, with a flood of American treasury bonds, it would remain the world economy’s ‘indispensable nation,’ still capable of exercising outsized authority—but now through a more elastic financial instrument. The US, of course, reserved the

¹ This paper draws heavily from my book *Monopsony Capitalism* (Kumar 2020).

right to threaten war, should anyone get any bright ideas and try to call in its tab. However, instead of underwriting reconstruction in Europe, which was largely whole again, it would use this liquidity to perfuse the late-industrializing nations—and in that respect China, with its great reserves of labour, held the most potential.

And, indeed, Nixon's warm embrace had thawed party doctrine enough to allow for the rehabilitation of figures like Deng Xiaoping, a party elder whose pragmatic approach to economics—which strove to harness capitalism—had gotten him relegated to anonymous factory work. In the coming years, Deng would, after some jockeying, succeed Mao as paramount leader and proceed to institute sweeping reforms, opening China up to flows of international learning, technology, and—most importantly—capital. The ensuing boom in manufacturing saw China become the new 'workshop of the world,' replacing the U.S. in labour intensive manufacturing, which itself had taken over the de facto title from Britain. Meanwhile, America—the single biggest market for Chinese goods—would undergo a complementary transition, as its own capital-light industries gave way to services and leveraged consumption.

The most salient of Deng's reforms was the creation of Special Economic Zones, or SEZs; first in the Southeast of the country, in Guangdong and Fujian provinces, and then dotted up the coast and inland, as Beijing conferred the new status on several major ports and provincial capitals. This experimental designation—the brainchild of Xi Zhongxun, father of Xi Jinping and then governor of Guangdong—allowed for relaxed regulatory regimes and the lifting of tariffs, with the aim of stimulating, but not revolutionizing, the economy². Originally conceived as a quick way to stem the outflow of Guangdong Chinese into neighbouring Hong Kong, where wages and living standards were much higher, SEZs more than resuscitated the local economy—they supercharged it. Soon, the designation became a means of creating boomtowns by fiat. The first SEZ, Shenzhen, had been a sleepy fishing village just north of Hong Kong, with a population in 1979 of about 30,000—or the size of Beloit, Wisconsin. But by 2018, just under 40 years later, it had grown into an administrative area with over 20 million residents—the size of metropolitan New York City. Beijing accommodated the vast sums of Foreign Direct Investment (FDI) pouring into China by encouraging internal migration to the SEZs and channelling new tax revenues into infrastructure (especially transportation networks) to keep down capital costs. This willingness to invest in infrastructure while suspending regulations (protecting labour, trade, and the environment), dovetailed nicely with China's natural advantages in raw materials and workforce size, and nourished a manufacturing revolution transforming the country into an export powerhouse.

This process—the fall of the so-called 'Bamboo Curtain'—is usually described in triumphalist terms, lauding the successful 'integration' of China into the world economy, its burgeoning skylines, and the emergence of a domestic nouveau riche. But such talk obscures the devil's bargain at the heart of it all, since it is the *Chinese Communist Party* (CCP) who steered this course and remains at the helm. Under Mao and his central planning regime, which used lessons gleaned from early Soviet history, the economy had been designed to achieve wage parity and maximum employment, and therefore to define any labour market out of the equation³. But under Deng, the 'iron rice bowl' (public sector jobs guaranteeing steady pay and benefits) began to shrink as structural unemployment and worker competition were gradually reintroduced. In due time, it seemed the CCP was organizing workers solely for the sake of capital—i.e. to

² These reforms did not start with China. Tariff-free zones, specifically, have a prior history – fragments of neoliberalism within the period of embedded liberalism (see Feingold 2013)

³ 'Labour Markets' should be understood simply as the interaction of the available supply and demand of labour

produce the labour market optimums necessary to attract yet more FDI⁴. In terms of GDP, this new tack was a wild success: the economy took off like a rocket, growing at some 10% per annum--the fastest pace in recorded history⁵. By the late 2000s, the Chinese GDP had surpassed Japan's to become the world's second largest.

The majority of early FDI, however, came not from the West, but from the Han diaspora in Taiwan, Hong Kong, Macau, and Singapore⁶, which was given special privileges⁷, allowing it--and select firms in Malaysia and South Korea⁸ to form what became known as 'Dragon Multinationals'. These firms grew rapidly and became gravity wells for outsourced production, especially in the most labour-intensive sectors. Bulk purchasing orders flooded in from Western clothing brands.

The mass shift in global production toward China and other emerging economies transformed the Global Value Chain (GVC), allowing transnational corporations (TNCs) to capture substantially larger surpluses. These new profits were owed to the difference in 'markup' caused by 'global labour arbitrage,' or international unequal exchange relation. And so, as unit labour costs in China dropped, the cost advantages of production there grew.

The GVC is a market-based construct and subject to the shifting tensions between buyers and suppliers. These are not well-understood by governments, which are often beholden to the economic theories of yesteryear. Despite their good intentions, no current system of classification can accurately depict GVC dynamism. Descriptions of the flows from bigger to smaller boxes still leave the interstitial spaces unexplained.

But identifying what influences GVCs is essential for understanding today's economic geography. This intervention attempts to draw out these factors and build on them. Using Kalecki (1971) and Robinson (1969), I identify the Degree of Monopsony Power (DMP) as the principal variable in bargaining, such that higher DMP necessarily leads to a higher share in value obtained by the lead firm. The spatial specificities of production, combined with changes in the distribution of value, lead to consolidation and change in DMP. And because capitalism is always evolving, so must the study of the GVC. When the balance of competitive forces resolves temporarily into a symbiotic state, this limits the spatial fix (i.e. capital flight) for buyers (thus lowering DMP), which in turn gives suppliers more bargaining power. Capitalistic competition therefore produces oligopolies at either end of the value chain, leading to crises of profitability and attempts at new 'fixes.'⁹

In this two-part Historical Materialism Editorial Perspective, I seek to: first, identify changing monopsony power of global value chains, then in part 2, understand what this means for workers' bargaining power in labour-intensive production.

⁴ Knight and Song 2005

⁵ Wang and Weaver 2013

⁶ Yang 2006

⁷ Yeung 2004; 2000

⁸ Merk 2014

⁹ This harkens back to Hilferding who argued that in certain specific historical conditions competition could hinder long-term accumulation. Durand and Lege (2013, 4) too state, 'In Marx's view, competitive pressure constrains individual capitalists to invest in order to adopt the more modern productive techniques that lead to an increasing capital intensity of production and then a tendency of the rate of profit to fall due to a rise in the organic composition of capital.'

My central argument is two-fold: One, that vertically-disintegrated value chains (and specifically the garment and footwear centre as their archetype) are animated by the logic of competition, which moves it inexorably in the direction of consolidation, thereby reducing the monopsonistic power of buyers. And two, changes in the value chain are reflected in the bargaining power of workers.

Predicated on the deregulation of trade, the underlying logic is as follows¹⁰:

1. Increases in the lead firm's Degree of Monopsony Power (DMP) allows them to capture a higher share of value.
2. As the share of value obtained by the lead firm increases the source price falls placing increasing downward pressure on suppliers. The number of firms who can meet those price demands therefore shrinks.
3. As the number of competing supplier firms shrinks, DMP decreases in the global garment sector, which moves the GVC away from a buyer-driven state and toward a supplier-driven state, oscillating according to buyer-supplier symbiosis (or a symbiotic steady state).
4. As DMP decreases and the lead firm moves toward a perfect markets steady state, the share of value it obtains becomes smaller.
5. This decrease in the share of value obtained by the lead firm constitutes a crisis of profitability which may lead, among other things, to:
 - An increase in the number of supply firms, which in turn increases DMP. A return to step 1.
 - An increase in vertical integration by the supplier firm.
 - Direct investment in new 'fixes'---innovations in finance, technology, product, or organization¹¹ that open new frontiers in profit-seeking---to steer out of the crisis¹².
6. The emergence of large oligopolistic producers fundamentally repositions those who drive sectoral GVC governance, altering the power relations for all the actors within it. Under the period of embedded liberalism (end of WWII to the 1970s), a higher degree of regulatory spatial inflexibility contributed to greater bargaining power for workers. As that regime ended and capital became more spatially flexible, workers' bargaining fell with it. Now, as DMP falls, the degree of spatial flexibility falls with it. In response, workers' bargaining power steadily grows. Indeed, these changes in the value chains do not necessarily result in higher wages and benefits for workers on the shop floor, but in

¹⁰ This specific formulation was devised by Galanis and Kumar (2021)

¹¹ See Silver 2003 for the clearest examples of technological and organisation fixes.

¹² These are often combined, as in the establishment of new, technologically advanced supplier factories on new, low-wage ground, e.g., in Ethiopia and Kenya.

totality, *increase the possibilities* for workers to bargain with their – now value-laden and increasingly powerful – direct employers.

Monopoly and Monopsony in the GVC

So far as GVC analysis is concerned, monopsony and monopoly can be regarded as different sides of the same coin when it comes to the bargaining process. But it is important to consider their different externalities. The externalities involved in increased monopolization of suppliers, for instance, allow us to understand the consolidation process and its effects.

A firm is said to have a monopoly when it is the sole seller of a good in a market. Similarly, an oligopoly is a market dominated by a *limited number* of sellers. A monopsony, however, is the inverse of a monopoly, meaning a market with a single buyer. And oligopsony, by extension, is the inverse of an oligopoly, meaning a market with only a *limited number* of buyers. Here I define the degree of monopoly as the relative degree of oligopoly in a market; and the degree of monopsony as the relative degree of oligopsony in the value chain. Oligopoly and oligopsony both describe markets with imperfect competition, i.e., a stark asymmetry in the balance between buyers and sellers. It follows from this, of course, that the degree of monopoly (the ratio of sellers to buyers) in a market is the inverse of the degree of monopsony (the ratio of buyers to sellers). Changes in this ratio, however, may be accompanied by other effects.

In the case of GVCs, both monopoly and monopsony can be used for the study of value distributions between supply (sellers) and lead firms. The degree of monopsony or monopoly influence not the price but the share of value obtained by each type of firm in the bargaining process. For this reason, I refer to the relative bargaining power of the lead firm as its degree of monopsony power, and to the relative bargaining power of a supply firm as its degree of monopoly power.

I approach GVC typology as a spectrum which is, on the whole, buyer or producer driven. Because of this, I connect the degree of monopsony (or monopoly) power with certain GVC characteristics. For instance, GVCs are primarily buyer driven because of relatively low barriers to entry for sellers, and this produces a high degree of monopsony power (DMP), advantaging buyers.

To avoid contradictions, it is important to distinguish between the bargaining process taken as a *static* balance of powers and as a *dynamic* rebalancing. In a static, 'snapshot' assessment, the degree of monopoly power possessed by seller firms is, as discussed, simply the inverse of the degree of the monopsony power possessed by lead firms. But this is not the case *in media res*. An increase in a seller firm's degree of monopoly power means, *in concrete terms*, a consolidation of firms, and this produces more than an immediate and corresponding increase in bargaining power; it also leads to greater market share, and therefore higher profits, which can be invested in marketing, R&D, expansion, and other means of further augmenting profits. Because of this cascade of secondary effects, which under judicious management can be turned into positive feedback loops, growth (or decline) in the bargaining power of firms often proceeds in volatile fits and starts, in which the balance of power may suddenly shift after one or the other side has hit a 'tipping point' and picked up *momentum*.

Assume, for simplicity, that there are no costs for the lead firms. The total GVC value then is comprised of the lead firm's share, the supply firm's share, and the latter's costs. If we assume a constant value share for the lead firm, a decrease of costs, in this situation, necessarily leads to an increase in value share for the supply firm.

Global Competition and GVC

Capitalism—our prevailing economic system, driven by profits and competition — has until now been only a faint and secondary presence in the GVC and Global Production Network (GPN) literature¹³. I aim to make it central¹⁴. Under capitalism, firms compete to capture the maximum possible portion of the total social product. This portion, the firm's 'maximised profits,' is the highest revenue for the lowest cost. To achieve this, firms employ pricing strategies, marketing, R&D, and so on, to give them advantages over competitors. And it is through such competition that successful firms increase their share of the market and their profits. Cost-reduction is paramount, especially for garment and footwear suppliers who make up the lion share of global labour-intensive production, who rely almost exclusively on downward pressure against wages to lower costs, since the vertically-disintegrated structure they inhabit prevents them from investing in technology and other means. And, given the limitations of that structure, the only ways they have to stretch their revenue-cost differentials (i.e. their profits) from the other end (i.e. their revenue) are through the intensification of labour or its extension. Because the garment sector subsists on influxes of high variable capital and low constant capital, the survival of firms in the market is wholly dependent on their ability to get more labour for less.

Competition exerts this pressure across the garment sector (horizontally), as well as down the value chain (vertically). In Marxian terms, the global buyer must outsource larger and larger portions of its chain while trying to control commodity production indirectly through the labour process (i.e. by passing the burden of costs down the chain). However, these processes are neither monotonic nor unidirectional, since there are several variables always in play, including competition, the vagaries of profit, suppliers, and the pliability/agency of labour. Anwar Shaikh (2016), in theorising on *real competition*, states that:

Competition within an industry compels individual producers to set prices that keep them in the game, just as it forces them to lower costs so that they can cut prices to compete effectively [...] In this context, individual capitals make their decisions based on judgments about an intrinsically indeterminate future. Competition puts seller against seller, seller against buyer, buyer against buyer, capital against capital, capital against labour, and labour against labour. *Bellum omnium contra omnes*.

This state of perpetual competition is always remaking the composition of capital. And a close analysis of its dynamics can offer valuable insight into the evolutionary tendencies of capitalism and provide a theoretical foundation for analysis into the importance of spatial allocation of production and shop floor-level labour negotiations. By pursuing this angle, I aim to enrich the GVC/GPN literature, which has heretofore concerned itself primarily with the 'technological characteristics of products and processes'¹⁵.

¹³ For Marxian economics, the goal of capitalist production is the realization of 'value' and 'surplus-value,' which is to say, the sale of commodities for prices above the cost of production, allowing the capitalist to accumulate profits. For the Keynesian, Kaleckian, and Post-Keynesian schools of economics, the concepts of 'markup' and 'profit margin' are utilised in reference to prices minus costs. Due to the limited scope of this paper, I will be using the concept of value in the broadest sense.

¹⁴ This section is influenced by ongoing research on the role of competition in shaping GVCs conducted with Giorgos Galanis and Panagiotis Iliopoulos

¹⁵ Gereffi, Humphrey, and Sturgeon 2005

That being said, so far as competition and market power have figured in the GVC/GPN literature, it is important to take stock of them, before advancing the discussion. Coe et al.¹⁶ and Mahutga¹⁷, for example, take the measure of a firm's power by the height of the barriers to entry in its market. For the former, that power is a function of its possession and control of assets necessary to the production process. But for the latter, entry barriers are functions of the economy, having to do with economies of scale in production and distribution and the availability of alternative partners and suppliers. Oligopoly and oligopsony power are implied in Mahutga but are not explored. Similarly, Milberg and Winkler¹⁸, in their investigation of the 'new wave of globalisation,' emphasize the lead firms' corporate strategies (cost-reduction, production flexibility, and coverage of local markets). They conclude that offshoring is a competitive strategy allowing lead firms to increase, on the one hand, their market power, captured by a Kaleckian markup, and on the other, their monopsony power, by exploiting the *spatial flexibility* of the supply base and labour force.

What remains underdeveloped, however, is the conflictual nature of capitalism, which reaches peak expression through garment sector competition (while rendering nakedly obvious the labour theory of value). Scholarship has remained by and large beholden to the neoclassical concept of perfect competition that assumes competition is just a function of the number and size of price-taking firms. The alternative to this quantity view holds that competition is a turbulent process, the messy and haphazard reorganization of a market, as capitals merge and migrate, and rival firms strive unceasingly for greater market-share. This is the competition found in the Classical tradition of Smith, Ricardo, Marx, and later in Schumpeter and a few others¹⁹. For them, competition is a Darwinian struggle for greater and greater profits. It is the impetus behind efficient new technologies and the constant reorganization of production. Capitals wage war on two fronts; with each other, for higher surplus-value and larger market-share; and with labour, for more work and an even larger share of the proceeds²⁰.

The success of a firm under capitalism depends on its ability to compete and remain competitive. And competitiveness, in a market, often requires constant innovation, improving the means of selling or of producing. And the more competitive a firm becomes, the more power it accumulates. And the more power a firm accumulates, the more market share it can acquire from its horizontal competitors, which in turn enlarges the share of value it can capture from suppliers and labour, bringing down input-prices.

This capacity to acquire market share from horizontal competitors, and thereby capture greater value, is a firm's oligopoly power. *Oligopsony power*, on the other hand, is the capacity of a buyer-firm to capture more value from suppliers and labour through downward pressure on supplier margins and/or the greater exploitation of labour. More oligopoly or oligopsony power may result in greater value capture and consequently greater control of the GVC governance structures. The firm with the greatest market power is, in GVC parlance, the lead firm, and drives the structural changes to the GCC/GVC/GPN. Other, lesser capitals that are unable to compete at the same level will thus be made subordinate. This is the process by which competition remakes production systems within capitalism. In other words, governance structures evolve as well, in response to fluctuations in the balance of market power.

¹⁶ Coe et al. 2008

¹⁷ Mahutga 2012, 2014

¹⁸ Milberg and Winkler 2013

¹⁹ Schumpeter, 2010; Moudud, Bina and Mason, 2013; Shaikh, 2016

²⁰ Moudud, 2013; Selwyn, 2012; Shaikh, 2016

Bringing competition into industrial organization theory allows for a new formulation of power as the motor of market dynamics and, *through the process of competition*, ultimately, of changes in governance. The analysis of power in the value chain follows the logic of competition, between capital and capital (whose battlefield is the market) and between capital and labour (whose battlefield is the site of production). As discussed above, this process resolves into situations of either oligopoly or oligopsony power. In other words, oligopoly and oligopsony power are measures of a firm's ability to maximise profits. Inevitably, this leads to concentration, as argued by Mandel²¹, 'Capitalism was born of free competition and is inconceivable without competition. But free competition produces concentration and concentration produces the opposite of free competition, namely, monopoly.'

From Capitals to Capital

In *Capital Vol. 1*, Marx²² briefly discusses his law of the Centralization of Capitals:

It is concentration of capitals already formed, destruction of their individual independence, expropriation of capitalist by capitalist, transformation of many small into few large capitals [...] the laws of this centralization of capitals, or of the attraction of capital to capital...[are that] larger capitals beat the smaller [...] competition rages in direct proportion to the number, and in inverse proportion to the magnitude of the antagonistic capitals. It always ends in the ruin of many small capitalists, whose capitals partly pass into the hands of their conquerors, partly vanish.

Marx maintained that the concentration of capital—i.e. the progressive expropriation of the many bourgeois by the few—was an immutable law of capitalism. In the *Communist Manifesto*, Marx and Engels argued that this continuous expropriation results not in the preservation of property, but its eventual destruction. This phenomenon can be observed from early industrial capitalism—eg. coal mining in France and Belgium—on through the 20th century—eg. the consolidation of the automobile industry in the U.S. and England, where the hundreds of firms that had sprung up in the late 19th century had been winnowed to fewer than 10 by the mid-20th century.²³

Marx conceived monopoly capital, or the domination of a market by a single firm, as the inevitable result of competition. Baran and Sneezy, in their 1966 work *Monopoly Capital*, expand on this claim by positing firms as 'the system's prime movers,' and downplaying the role of state intervention. Firms' size and market power, and consequent ability to prevail upon governments to fix the rules of the game (so the inmates run the asylum), ensure the devolution of markets into monopolies.

According to Bruce Norton²⁴, capitalist firms are animated by a singular 'growth urge,' which explains their behaviour when 'seeking to reinvest a fixed fraction of past profit income in physical capital stock'²⁵. Norton describes the firm as a self-determining and self-sustaining

²¹ Mandel 1968, 38

²² Marx 1867

²³ Mandel 1968

²⁴ Norton 1983

²⁵ Norton, 1983, 2

growth system, embodying the relationships between several variables—chief among them, saving and investment spending.

All was manifest to Marx, who observed this tendency a century and a half ago. Indeed, all government restriction can do under capitalism is slow the process. In other words, competition is a phase at best and a formality at worst, as capitals merge and centralise. In the garment sector, this phenomenon was amply illustrated by the consolidation that followed the MFA phase-out, which I will detail below. That the ‘growth-urge’ of capital achieves its final stage in entropy is one of capitalism’s major internal contradictions, as formulated by Marx.²⁶

Other changes in the global economy—namely financialisation and the advance of technology—have only hastened consolidation. Financialisation, for one, put new emphasis on ‘share value,’ which by itself can induce mergers and acquisitions²⁷. Fold describes how the cocoa sector, for example, suddenly fell under the spell of share value, and larger cocoa firms quickly gobbled up their smaller competitors²⁸. Managers have become preoccupied with financial performance and cash management, leading them to target for M&A any company whose shares are deemed undervalued relative to asset values. As Coe and Yueng state:

As suppliers strive to reduce their cost-capability ratios and take on more value activity in lead firms’ global production over time, they are inadvertently subject to the same ruthless financial discipline as their lead firm customers[...]Under the guise of supply chain rationalization, lead firms driven by financial considerations are inclined to source from fewer, but larger, suppliers in order to achieve greater economies of scale and lower unit purchase prices.²⁹

Large capital-holding firms now reinvest their surplus in labour-saving technology, transforming what Marx called the ‘organic composition of capital’ as labour-inputs fall, freeing up additional funds for marketing, R&D, and other means of increasing market share (i.e. more of what was ‘variable capital’ can be converted into ‘fixed capital’). This effectively raises the market barriers to entry, and in GVC terms reduces the DMP of the value chain since fewer firms can compete.

Another distinction, however, must be made between short and long-term capitalist development. Although business cycles ebb and flow, long-term development demonstrates what Marx called the tendency of the rate of profit to fall, as the portion of fixed capital employed by firms rises relative to variable capital, the ultimate source of value. As Marx predicts, capitalism will increasingly come to rely on ‘dead labour’ (technology, etc.) and less and less on ‘living labour’ (workers).

²⁶ Marx argues that this is one of capitalism’s the great internal contradictions. Concentration in one link of the value chain is liable, of course, to produce a chain reaction going down the length of the GVC (Ghemawat 1990). The supremacy of Google among search engines, for example, led to Marriott Hotels buying Starwood as well as the acquisition of two rivals by online travel site Expedia in 2012 and 2015. Adrian Wooldridge (2006) has predicted ‘the rise of superstars;’ a small group of giant companies (some old, some new) that are once again going to dominate the global economy, through a surge of mergers and acquisitions, eventuating in a small group of individuals owning the majority of the world’s wealth. Ibid. ‘The McKinsey Global Institute, the consultancy’s research arm, calculates that 10% of the world’s public companies generate 80% of all profits. Firms with more than \$1 billion in annual revenue account for nearly 60% of the total global revenues and 65% of market capitalization.’

²⁷ see Froud et al 2000

²⁸ Fold 2002

²⁹ Coe and Yueng 2015, 40

Mandel explains how the organic composition of capital affects concentration, by erecting higher barriers to entry:

The greater the organic composition of capital in an industrial branch, the greater is the concentration of capital, and conversely, the smaller the organic composition of capital the smaller the concentration of capital. Why? Because the smaller the organic composition of capital, the less capital is required at the beginning in order to enter this branch and establish a new venture. It is far easier to put together the million or two million dollars necessary for building a new textile plant than to assemble the hundreds of millions needed to set up even relatively small steel works.³⁰

The monopolization of manufacturing is a self-sustaining process, whereby consolidation contributes to automation and automation contributes to consolidation. This can be observed recently at each stage of the GVC, from the cotton field to the retail rack. This is most evident – though it is a late arrival – in some of the garment and footwear producers – though workers in those parts of garment manufacturing most susceptible to valorisation have seen their capital-labour ratio change. Marx argued that competition makes firms strive for efficiency, leading to continual advancements in labour-saving technology; a process that is accelerated by consolidation. This is true for most sectors where we find that the capital-labour ratio has grown steadily, especially during periods of extensive consolidation, like the 1990s. Moody describes these trends:

These increases point to the fact that mergers alone were not sufficient to meet competition and that capital investment also increased [...] After 2000, the capital-labour ratio levelled off due to the recessions of 2000 and 2008 and then began to grow again around 2012. That the merger movement related investment has made a difference in the overall size of manufacturing firms can be seen in how those corporations with assets value over \$1 billion rose from 71% of total assets in 1990 to 87% in 2010. Competition was engendering not only mergers but increased capital accumulation and technology as well.³¹

Consolidation and the GVC

Even if sometimes faintly, Marx's theory of monopoly capital can still be detected in the current GCC/GVC/GPN discourse. Though rarely mentioned specifically, it does figure, for instance, in the theoretical lineage of Hopkins and Wallerstein³², via the foundational work of Gereffi and Korzeniewicz³³, who coined the Global Commodity Chain (GCC), and argued that 'monopoly and competition are key to understanding the distribution of wealth among the nodes in a commodity chain.'³⁴ In their work, the differential power of firms across the value chain depends on the 'capacity of some capitals to generate barriers to entry, which is in turn premised on their relative monopoly over some strategic 'scarce asset', that is, one which expresses the capacity to actively participate in the development of the forces of production'³⁵. An asset's scarcity is therefore relative: a function of entry barriers.

³⁰ Mandel 1968, 37

³¹ Moody 2017, 56

³² Hopkins and Wallerstein 1994

³³ Gereffi and Korzeniewicz 1994

³⁴ Gereffi and Korzeniewicz 1994: 2

³⁵ Starosta 2010, 440

Hymer's microeconomic studies analysed the role of specific factories in helping firms obtain monopolistic advantages. What distinguished these particularly successful factories, he concluded, were the possession of superior technologies, scale, product differentiation, distribution networks, and privileged access to finance. Theories of monopoly capitalism have been heavily influenced by industrial economics and the structure-conduct-performance (SCP) paradigm. And according to SCP, profitability depends heavily on concentration. Conventional economics describes competition and monopoly as opposite ends of a spectrum, so that an increase in competition results in a decrease in monopoly³⁶. What this view regards as 'atomistic' competition is, I assert, more accurately interpreted as a Degree of Monopsony Power (DMP), since the phenomenon described is specific to the interfirm bargaining process between buyers and suppliers. DMP provides a useful framework for understanding the GVC's natural dynamism, while placing competitive states within a more coherent spectrum split between 'buyer' and 'producer' driven chains—i.e. those possessing monopsony or monopoly, respectively.

Michael Kalecki³⁷ who in the 1930s wrote that economies were by nature oligopolistic/monopolistic rather than competitive, has been a critical influence on the understanding of the relationship between 'competition' (what we can call monopsony) and monopoly. As Sawyer remarked, 'It is of some significance that [Kalecki] talked of the degree of monopoly rather than the degree of competition for the one sense that they could be used interchangeably (negatively related of course). But such a usage does focus on monopoly rather than on competition, and also suggests a counterposing of competition and monopoly.'³⁸

The formulation of DMP in the GVC draws inspiration from Robinson's³⁹ concept of labour market monopsony and from Kalecki's⁴⁰ 'degree of monopoly.' To Kalecki, a firm's degree of monopoly is determined by institutional factors, such as industrial concentration and trade union strength, and affects the markup that can be added to costs (both fixed and variable). That markup then affects the share of revenue given to workers as pay.

Degree of Monopoly can also be read, of course, as degree of concentration; and understood as a virtual oligopoly by a few firms accumulating larger and larger surpluses (in both absolute and relative terms), while growing their market share. The shuttering of small and medium-sized firms thus signals the conquest of a market by larger firms. Kalecki (1954), however, argues that this growth begins to abate in its later stages, when there are fewer avenues left for innovation. What we see in the garment sector is a fall in the DMP and an increase in the degree of monopoly among supplier firms, demonstrating how 'filling up a space' in capitalism restricts mobility, as highlighted by Sawyer: 'first, the growth of scale of firms means that structural oligopoly/monopoly has emerged. Second, there are increasing restrictions on the mobility of capital. Both of these would point the direction of a move away from competition in the Marxian sense.'⁴¹

In the era of globalisation, 'strategic alliances' have emerged as an alternative strategy, but mergers and acquisitions remain the primary means for obtaining market power. According to

³⁶ Sawyer 1988

³⁷ Kalecki 1971

³⁸ Sawyer 1988, 52

³⁹ Robinson 1969

⁴⁰ Kalecki 1971

⁴¹ Sawyer 1988, 51

De La Merced and Cane⁴² in the *New York Times*, ‘Global dollar volume in announced mergers and acquisitions rose 23.1% in 2010 to \$2.4 trillion’. Worldwide M&A activity more than doubled from 2002 to 2007, before the global financial crisis. But American firms have since begun another round of blockbuster mergers—some \$10 trillion worth. And though the US still accounts for 34% of global deal volume, the biggest trend in mergers and acquisitions in 2010 was the growth in emerging markets, particularly in the Asia-Pacific region, where deal volume jumped 43.5% according to Merced and Cane⁴³. Foster, McChesney and Jonna remark that:

Wherever one looks, it seems that nearly every industry is concentrated into fewer and fewer hands. Formerly competitive sectors like retail are now the province of enormous monopolistic chains, massive economic fortunes are being assembled into the hands of a few mega-billionaires sitting atop vast empires, and the new firms and industries spawned by the digital revolution have quickly gravitated to monopoly status. In short, monopoly power is ascendant as never before.⁴⁴

Recently work by Moody agrees with this conclusion, that the wave of consolidation is an outgrowth of crisis. But he offers a different explanation:

What has emerged or is emerging in the consolidation trend is not ‘monopoly capital’ based on some neoclassical quantity theory of competition in which fewer capitals compete less. Quite the opposite, concentration and centralization are functions of competition, the effort to capture more profit by capturing more market share - in this case partly by absorbing the competition as well as increasing fixed capital. The ‘battle of competition’ doesn’t end as larger capitals defeat or absorb smaller ones. On the contrary, it pushes each firm to compete more effectively by increasing the productive force of labour as much as possible. Competing firms, in effect, leapfrog as each attempts to become more efficient through the application of still more capital, and the competition tends to increase the intensity as the stakes grow greater.⁴⁵

While there is definite sense in Moody’s thesis that, ‘competition, consolidation or centralization, and the push for greater productivity are all of a piece in the reality of contemporary capitalism,’⁴⁶ the garment sector, appears to disprove it, or at least its universal applicability. The vertical dis-integration of the garment sector, for one, *does not* result in larger, consolidated firms which have won more market share, but in a *proliferation of smaller firms*. And, as discussed, a falling DMP fundamentally alters the bargaining power of different actors along the value chain, particularly the suppliers and supplier labour.

It follows from the logic laid out above that falls in the sourcing prices of buyers result in the disappearance of uncompetitive firms and the consolidation of big firms into even bigger firms. This is an ‘organisational fix,’ or an integration of once exogenous phases into the value chain (which also places certain limits on the ‘spatial fix’). Consolidation therefore produces two chief effects. The first is an increase in DMP through a reduction in the number of supplier firms; and

⁴² De La Merced and Cane 2011

⁴³ Kopf, Vehorn, Carnevale 2013

⁴⁴ Foster, McChesney and Jonna 2011

⁴⁵ Moody 2017, 57

⁴⁶ Moody 2017, 58

the second is that consolidated firms are able—through improved coordination and the pooling of resources—to achieve a reduction in production costs.

The rise of consolidated firms in the global garment sector has a material basis in the logic of capital itself. In the ‘buyer-driven’ sector, supplier firms (and the nation-states they occupy) are under constant downward pressure by global buyers to cut costs, produce greater volumes of goods at quicker intervals, to stock less inventory, ensure labour discipline, etc. After some time, this thins the herd, leaving a smaller number of firms to absorb the production capacity. Consolidation is not therefore anomalous, but structural. It shortens the time of production, circulation, and distribution. In recent decades, firms associated with the ‘developing world’ have become adept at generating ‘value added’ activities across the value chain.

In describing what they call the ‘cascade effect,’ Nolan, Zhang and Liu argue that since the 1980s there has been a growing concentration across the value chain through the merger of non-core activities brought about by the intense downward pressure of large buyers. They explain that, ‘at every level there has taken place an intense process of industrial concentration, mainly through merger and acquisition, as firms struggle to meet the strict requirements that are the condition of their participation in the system integrators’ supply chains.’⁴⁷

Drawing closer to GVC literature, Gereffi states:

Today, we are entering a very different era. By the mid-2000s, the Washington Consensus development model was already beginning to unravel. US hegemony was eroding and the large emerging economies, led by China and India, were altering the organization of production and how rules were made that affected the global economy. Consolidation was growing at both the country and supply chain levels in a number of hallmark global industries, such as apparel [...] When the global economic recession hit in 2008–09, this ended all prospects of a return to the old order. As the consumption of advanced industrial economies was curtailed, developing countries around the world began to look for alternatives to declining or stagnant northern markets. Large emerging economies turned inward and redirected production to their domestic markets and regional neighbours, and industrial policy has become more prominent.⁴⁸

The growth of oligopolistic firms at either end of the value chain results in what I call buyer-producer symbiosis or a symbiotic steady state. Simply put, this is a ‘symbiotic’ power relationship in the garment or footwear industry that develops between large transnational buyers and large transnational producers—an effect of consolidation that limits the use of spatial fixes in disintegrated (historically) high DMP sectors. Symbiosis leads to a fall in the lead firm’s value share accompanied by innovative new ‘fixes’ for the crisis. GVCs are fluid formations, and just as, ‘the increase[ed] disaggregation of value chains [...] allow[s] new kinds of lead firms to capture value’⁴⁹, the consolidation of supplier-end capitals allows new kinds of supplier firms to capture value.

Buyer-producer symbiosis, however, is more than a simple transactional relationship; rather, it resembles one-half of Gereffi’s formulation, ‘show[ing] how ‘big buyers’ have shaped the production networks in the world’s most dynamic exporting countries, especially in the newly

⁴⁷ Nolan, Zhang and Liu 2008, 45

⁴⁸ Gereffi 2014, 14-15

⁴⁹ Pickles and Smith, 2016, 25

industrialised countries of East Asia.⁵⁰ Per Starosta⁵¹, ‘the concept of governance was originally devised to depict the diversity of authority and power relationships that give overall coordination to the division of labour within the commodity chain.’ In this light, the introduction of ‘symbiosis’ is an addition to the taxonomy of power relationships, emerging out of giant capitals on either side of historically low DMP GVCs.

Take the global footwear industry. Footwear is an object lesson in these long-term trends because it was the sole clothing industry not encumbered by the MFA. The relatively untrammelled growth and globalisation of footwear production resulted in greater oligopoly of buyers. They were able to accomplish this because they had monopsonistic relationships with manufacturers in markets with low barriers to entry.⁵²

Eventually, competition compelled smaller manufacturers to consolidate. This caused a fall in DMP, producing an increase in share-value for manufacturers and giving them more weight in negotiations with buyers. Fast forward to the present day, and Adidas and Nike, who together control over 50% of the world market for sport and casual shoes⁵³, have announced that they will be opening fully-automated production facilities in Germany, France, the US, and the UK⁵⁴. This can be read as a response to a symbiosis in the footwear industry which has created a crisis in profitability and left the major brands exposed.

Accelerating automation in footwear production has put developing countries at risk of losing their manufacturing bases. Nike in particular has been automating an increasing number of tasks, such as laser-cutting and gluing, due to growing production costs in Asia. Sridhar Tayur, a professor at Carnegie Mellon University, explains that, ‘the very-low labour costs in Asia are no longer that low [and] the pressure has been mounting for a long time to either move to a super low-cost place or to automate more’⁵⁵. That the company is working exclusively with Flex, the highly-automated manufacturer of Fitbit, illustrates the falling monopsonism in the footwear value chain. Chris Collier, Flex chief financial officer, confirms, that ‘Together [Flex and Nike] are modernizing the footwear industry,’ and that, ‘this is a long-term, multibillion-dollar relationship for us, [that] is not measured in the scope of years but decades.’ In the same article analyst Jim Suva asserts that, ‘we believe the apparel industry is likely to watch this closely. And if it is successful, we could see more room [for automation] to come’. In the future, changing economic geographies, combined with the apparel industry GVC’s trend toward symbiosis, may result in the spread of similar technological fixes elsewhere.

Value Chain Power Asymmetry

Firms compete on two fronts: horizontally, with other capitals in the same market; and vertically, with suppliers and buyers. Every link between the two ends of the value chain expresses a market relationship corresponding to its position, and the more profitable firms accumulate either oligopoly or oligopsony power.

⁵⁰ Gereffi 1994, 95

⁵¹ Starosta 2010, 437

⁵² Schmitz and Knorringa 2000

⁵³ Merk 2008

⁵⁴ Manthroe 2017

⁵⁵ Bissell-Linsk 2017

It follows that every exchange between firms at different levels of production is a confrontation between a seller, embodying a given oligopoly power, and a buyer, embodying a given oligopsony power. Each firm tries to leverage its respective power to capture more value from the exchange, and the result is an agreed-upon price for the good or service in question. The difference between the oligopoly power of sellers and the oligopsony power of buyers can be read as vertical power asymmetry and distinguished from the power asymmetry emerging from horizontal power asymmetry, between firms in the same market.

Firms with greater market power tend to capture more value from their partners, both backwards (suppliers) and forwards (customers). A large and powerful buyer (brands or retailers), for example, will have greater oligopsony power relative to a group of small and geographically dispersed suppliers. The vertical power asymmetry differential will therefore be high, meaning the buyer can capture more value from exchanges with the suppliers. Meanwhile, suppliers, which are also capitalist firms, producing goods and services for profit, are still competing horizontally with one another for market share (i.e. to capture value upstream). The opposite forces apply to manufacturers/suppliers with greater market power (eg. automakers). If the supplier is more powerful than the buyers, it will be able to exert oligopoly power and set higher prices, capturing more value from every transaction with buyers. Vertical and horizontal market pressures will determine how the most competitive/powerful firms (the lead firms in GCC/GVC) eventually remake governance structures.

The long-term corporate strategies of lead firms are forged by competition, which determines the technological and geographic organization of production. (Outsourcing, for instance, is the effect of buyer compulsion to find ever cheaper suppliers.) Similarly, competition drives suppliers to develop their own corporate strategies that capture more value upstream, downstream (from buyers), and at the site of production (from technology, labour, etc.). What shakes out is a series of interfirm vertical power asymmetries.

There are numerous examples from the GCC/GVC/GPN literature that illustrate this conception of competitive dynamics and their shaping of governance structures in global capitalism. The garment sector is the archetypal buyer-driven chain, dominated by brands and retailers exercising monopsonistic power over numerous small suppliers, usually in low-cost developing economies. The garment sector has experienced significant changes since the MFA expired in 2005. Trade has liberalised, giving large retailers the 'spatial flexibility', they need to shift production *en masse* to the cheapest, smallest, and weakest suppliers available, significantly altering the value distribution. In turn, monopsonistic pressure on those suppliers (to reduce costs, decrease production time, ensure labour discipline, etc.) has endangered less competitive suppliers, leading them to consolidate or die off⁵⁶. The result is a turnabout; the merged suppliers have acquired oligopoly power and made themselves indispensable⁵⁷.

But this process is by no means unique to the garment and footwear sectors. The early US automotive industry, for instance, saw Ford pitting its product line against that of General Motors (GM), resulting in the quick depletion of fixed capital investments, and an eventual spending shift toward, 'advertising, brand-name identification, distribution and financing'⁵⁸. The appearance on the international market of Japanese automakers, however, challenged the oligopolistic stability of Ford and GM, confronting them with more competitive pricing, and

⁵⁶ Anner et al. 2012

⁵⁷ see Kumar 2019a, Kumar 2019b

⁵⁸ Schoenberger, 1994

forcing a relocation of production to Portugal, Spain, and Latin America⁵⁹. And so, the ‘globalisation of markets’ begets the ‘globalisation of production’ and spurs ‘excellence in governing spatially dispersed networks of plants, affiliates and suppliers’⁶⁰. In response, the mass of struggling suppliers in the new, lower-rent locales, extend their spatial capabilities, merge with one another, and integrate *vertically* with second-tier suppliers⁶¹. And since the Japanese went global, yet another generation of automakers has emerged fully formed from domestic markets to compete on the world stage—this time from China and India. The likes of India’s Tata Motors and China’s Geely have made their presence felt in the international market with aggressive business and marketing strategies, including the acquisition of European and American supply bases and brand names, such as Jaguar Land Rover (Tata) and Volvo (Geely).

Also notable in this respect is the US electronics sector (personal computers, data management, telecommunications), which faced similar international competition from Asia. Many large, hierarchically-organised multinationals found themselves on the wrong side of history when cheap electronics flooded international markets in the 1970s and ‘80s. Production was eventually reorganised, transformed into a modular network, with various activities outsourced to technologically competent suppliers⁶².

Degree of Monopsony Power in the GVC

The centrality of the Degree of Monopsony Power (DMP) in GVCs, which I helped formulate with Giorgos Galanis⁶³, is important to understanding how value chains operate. Monopsony, according to Robinson⁶⁴, is a market with multiple sellers and a single buyer; or, in labour market terms, a single firm and more workers than are needed. Here, instead of a single firm and many workers, I consider a single lead firm and many supply firms.

Beggars can’t be choosers in the market, and suppliers competing for orders from buyers in a situation of DMP must be willing to lower their prices. For Kalecki⁶⁵, a firm’s degree of monopoly determines the markup allowable for costs (both fixed and variable). That markup then affects how income is divvied up between workers and capitalists. As explained earlier, DMP affects the value share obtained by lead firms for given output prices.

Imagine you are an Indian or Cambodian capitalist who wants to establish an export-oriented garment factory with relatively little starting capital. Your first major expenditure would be a decrepit facility (for which the state has generously kicked in funds) in an export processing zone on the outskirts of a city (which has its own assortment of tax and cost benefits). Your next expenditure is on rudimentary machines for sewing, knitting, cutting, and pressing. Piece of cake, so far: your costs are a fraction of what you would have needed for an automotive factory. A high DMP confers the ability to enter GVCs with minimal capital investment, giving brands outsized power. And the stronger brands are, the more pressure is felt by suppliers. Just as an

⁵⁹ Schoenberger, 1994

⁶⁰ Sturgeon and Florida, 2000

⁶¹ Sturgeon and Florida, 2000

⁶² Sturgeon, 2002

⁶³ Galanis and Kumar (2018) bridge these two approaches using the same post-Keynesian literature which has lately been enriching economic geography. For examples see Milberg and Winkler (2013), Onaran and Galanis (2014), Stockhammer, Durand and Ludwig (2016) and Stockhammer (2017).

⁶⁴ Robinson 1969

⁶⁵ Kalecki 1971

employer operating in a deregulated environment with a large reserve army of labour, so too the buyer benefits from thousands of hungry suppliers competing for their business⁶⁶. Eventually, the stronger suppliers absorb the weaker. This causes monopsony to fall, evening the playing field as the surviving suppliers use their new resources to evolve (technologically, organizationally, etc.) and raise the barriers to market entry, entrenching their position. If you got in on the ground floor and climbed to the top, you're sitting pretty. Increased market share means you're able to capture more value than ever from transactions with buyers, and higher entry barriers means you've effectively pulled the ladder up.

It is hard to deny that a multitude of suppliers competing for the interest of a few buyers are at great disadvantage, at least for a time, and this understanding colours much of the GVC literature. Monopsony has frequently been invoked in this sense, either explicitly or implicitly⁶⁷.

Nathan and Kalpana⁶⁸ articulate the dominant asymmetry in early globalisation of the monopsony / oligopoly vs. competitive relations between buyers and supplier thus:

The lead firms in buyer driven chains have enormous, oligopolistic market power. As buyers the volume of their purchases gives them monopsonistic power. On the other hand, with the spread of manufacturing and processing capabilities around the world, the suppliers are in very competitive markets. This asymmetry of market positions, oligopoly / monopsony vs. competitive, leads to a corresponding asymmetry in bargaining power. Lead firms are able to utilise their buying power to beat down suppliers' prices.

This is supported by Mayer and Phillips⁶⁹ who, citing Milberg and Winkler⁷⁰, show that concentration leads to greater power in the value chain:

The implication of the rise in market concentration is an increase in monopolistic and monopsonistic market power. Even if there is relatively little market power in the end market, market power upstream can allow for the generation of rents, and there is good reason to believe that these concentrations result in considerable market power within GVCs, as suppliers face limited numbers of buyers for their goods (a form of monopsony power), while buyers, often, have many potential suppliers.

These are all critical factors shaping the GVC; particularly, upgrading (the 'technological fix'), which cannot be delinked from consolidation (the 'organizational fix') as necessary to raising barriers to entry and affecting a larger shift in power between buyers and suppliers⁷¹. In light of this, one must consider DMP as essential to value share and power in the GVC. The original Gereffi binary illustrated how buyers control value chains but featured DMP only by way of implication. This downplayed its significance as *the* mechanism by which buyer-driven GVCs give way to 'symbiotic' relationships between oligopolistic buyers and increasingly oligopolistic

⁶⁶ Cook 1977; Porter 2008

⁶⁷ see Abernathy et al 1999; Nathan et al 2016; Milberg and Winkler 2013; Azarhoushang et al 2015; Anner 2015; Mayer and Phillips 2017

⁶⁸ Nathan and Kalpana 2007

⁶⁹ Mayer and Phillips (2017)

⁷⁰ Milberg and Winkler 2013: 115

⁷¹ Silver (2001) sees organizational and technological 'fixes' as one and the same, combining them into a 'technological-organizational fix'.

suppliers. DMP does this by indirectly compelling the consolidation of suppliers, which reduces the absolute number of suppliers while increasing the relative power of each remaining supplier⁷².

More concretely, monopsony power is the capacity for lead firms to extract a higher value than in a 'perfectly competitive' market. DMP encapsulates this connection. Where DMP is low, lead firms tend to retain direct control over capital-intensive phases of the GVC, while subcontracting out more labour-intensive functions to hierarchical suppliers managed by the lead firm.

The MFA and GVC Dynamics

The most significant event in recent garment sector history has been the expiration of the MFA, whose phase-out ended place-based restrictions on production, leading to changes in industry composition, trade, and employment patterns. Initially established with the backing of Global North textile unions to check the globalisation of garment and textile sectors with a regulatory apparatus, the MFA introduced a quota system which ultimately did not staunch production outflow so much as spread it more thinly (among some 200+ countries). Over the course of its 30-year existence, the MFA was renegotiated four times, and had mutated in the process, before being replaced by 1995's Agreement on Textiles and Clothing (ATC), which marked a transition period, drawing down regulations until full phase-out in 2005⁷³. While the MFA and ATC were still in effect, many developing countries had lobbied for their annulment, to open unabated flows of capital. But eventually those same countries realised that China's advantages in infrastructure and labour costs would draw the bulk of post-MFA relocations, and so began calling for its extension⁷⁴.

The end of the MFA/ATC quota system on January 1st, 2005 inaugurated a new era of intense competition and price pressure⁷⁵. With a freer hand now, global brands shifted production away from many small countries and into a few large ones—and, as feared, China absorbed the bulk of the relocation. The US and EU attempted to reverse this windfall by invoking the protectionist clause in China's WTO agreement, but after the sabre rattling had settled were only able to extract another agreement—with the EU but not the US—extending quotas through 2007.

GVCs must be understood as operating under governance structures that evolve in tandem with shifts in the balance of market power, especially in the garment sector⁷⁶. As mentioned earlier, the mid-1990s were the beginning of the end for the MFA. Signed in 1974, it had established import quotas for garments and textiles produced in the Global South and, during its existence, provided one of the few checks on the globalisation of garment and textile sectors.

⁷² This emergence of an 'organizational fix', an integration of once exogenous phases in the value chain, and the growth of large capital holding firms at both production and brand/retail ends result in competition between 'fractions of capital' and weakening the hegemony of capital in its antagonism with labour (Mezzadra and Neilson 2013). A combination of the geographic limits of the state alongside an emergence of a multipolar economic landscape of power, positions the developmental states as a mediator between the dominant 'fracture' of transnational brands and 'comprador' domestic suppliers to meld a 'total' capital. Thus, such fractures in capital and distribution of value within the supply chain may provide an additional advantage for workers bargaining at the point of commodity production.

⁷³ Dunford et al 2016

⁷⁴ Loong-Yu 2005

⁷⁵ Frederick and Staritz 2012

⁷⁶ This fact has been fleshed out empirically through the course Kumar 2020.

The MFA period witnessed a mass exercise of what David Harvey⁷⁷ calls the ‘spatial fix,’ whereby firms (and/or capitalism) try to resolve crises of profitability through geographic reconfigurations—i.e. by removing production to cheaper locales. The ‘spatial fix’ under the MFA’s quota system, however, led to much more diffuse and far-flung migration. This *spatial inflexibility* is reflected directly on labour agency⁷⁸. And like in Harvey, production, reproduction, and the reconfiguration of space are front and centre in its relation to political economy writ large.

Despite the strictures imposed by the MFA, buyers were nevertheless able to deploy spatial fixes and draw increased value to the top of the chain. And as the MFA era came to a close, the power gap between buyers and suppliers only widened. Anner et al.⁷⁹ noted that international apparel prices were dropped as the MFA phased out (1995-2005).

The drop in the price paid per square meter of imported apparel coincides with the phase out of the MFA, which began in 1995. A part of the decline can be attributed to a shift away from suppliers located in relatively higher paying countries (e.g. Mexico and the Dominican Republic), to countries with much lower labour costs (e.g. China, Vietnam) whose exports to the U.S. had been quota-constrained. Yet, it also reflects a growing concentration of retailer power vis-a-vis suppliers, where, as a result of monopsonistic supply chain structures, retailers and major brand manufacturers are increasingly able to squeeze lower prices from their ranks of global suppliers.

They link this phenomenon to two factors coinciding with the end of the MFA. One, freed from quotas, buyers began shifting production from regions with relatively high labour costs (i.e. Mexico and Central America) toward those with lower labour costs (i.e. China and Southeast Asia). Two, this migration was made possible by the ‘growing concentration of retailer power vis-a-vis suppliers, where, as a result of monopsonistic supply chain structures, retailers and major brand manufacturers [were] increasingly able to squeeze lower prices from their ranks of global suppliers.’ QED: lifting trade restrictions on trade increases DMP and, in consequence, value share for buyers. Frederick and Staritz⁸⁰ concur, showing that the MFA added indirect costs to quota-constrained countries like China, because the quota required them to ‘purchase’ the rights to another country’s allocation.

The work of Feenstra⁸¹ supports the centrality of DMP as well by highlighting the parallel between the ‘disintegration of production’ in the international economy and the ‘integration of trade.’ Gereffi et al.⁸² observe, too, that ‘the rising integration of world markets through trade has brought with it a disintegration of multinational firms, since companies are finding it advantageous to ‘outsource’ an increasing share of their non-core manufacturing and service activities both domestically and abroad.’ Frederick and Staritz⁸³ find that the post-MFA era is one of accelerated consolidation, in which buyers are using their newfound power (i.e. increased

⁷⁷ Harvey 2006

⁷⁸ As argued in Kumar 2020, the spatial limits of capital under the regime of embedded liberalism, also placed limits on monopsony, this was a form of *regulatory spatial inflexibility*. This resulted in greater bargaining power for workers. Whereas the emergence consolidation suppliers also began to see limits on monopsony, what I call *market spatial inflexibility*, which in turn has positive effects on workers’ bargaining power.

⁷⁹ Anner et al. 2012, 7

⁸⁰ Frederick and Staritz 2012

⁸¹ Feenstra 1998

⁸² Gereffi et al. 2005, 80

⁸³ Frederick and Staritz 2012, 58

DMP) to now demand that manufacturers also develop and design products, in addition to handling inventory management, stock holding, logistics, and financing: ‘The objective of buyers to concentrate on their core competencies and reduce the complexity of their supply chains has [only grown in significance].’

The rapid and widespread consolidation following the MFA is acknowledged throughout the literature. Gereffi⁸⁴, for example, states that, ‘one noteworthy consequence of global consolidation is the growth of big GVC producers and intermediaries, which tend to offset to some degree the power of global buyers....especially after the termination of the Multi-Fibre Arrangement (MFA) for apparel in 2005, and giant contract manufacturers and traders (such as Foxconn in electronics, Yue Yuen in footwear and Li & Fung in apparel) have considerable clout. India and Brazil have also generated their own manufacturing multinationals, such as Tata and Embraer.’ See also Frederick and Staritz⁸⁵, who describe how the MFA’s end and the greater choice it afforded buyers, resulting---after a competitive shakeout, following the GVC dynamics described above---in a focus on larger, consolidated suppliers:

Buyers have had a greater choice after the MFA phaseout, and sourcing decisions have focused on the most competitive suppliers who offer consistent quality, reliable delivery, large scale procession, flexibility, and competitive prices [...] This trend has led to a consolidation of the supply chain, reducing the number of supplier countries and firms within countries.

Post-MFA merger-mania has touched every segment of the garment GVC, and even spread to adjacent sectors. ‘In summary,’ Gereffi⁸⁶ remarks, ‘concentration is growing across different segments of GVCs, and this co-evolution of concentrated actors appears to have two main implications for GVC governance in at least some cases, a shift of bargaining power toward large domestic producers vis-a-vis global buyers; and an affinity between geographic concentration in large emerging economies such as China and India and organizational consolidation in GVCs.’

By the mid to late 2000s, DMP had peaked. Source prices had fallen and fewer and fewer suppliers were able to compete. What survived was a coterie of powerful mega-producers in labour-rich countries⁸⁷, which had developed increasingly symbiotic relationships with large retailer/brand oligopolies.

For all intents and purposes, the metastatic growth of firms is an inherent feature of capitalism. As Hymer⁸⁸ notes, ‘Since the beginning of the industrial revolution there has been a steady increase in the size of manufacturing firms, so persistent that it might be formulated as a general law of capital accumulation.’ But that growth, however, hit a ceiling in the Global North during the 1970s, engendering a series of ‘spatial fixes,’ and a relentless ‘race to the bottom’ for global manufacturing. Our schema holds that the globalisation of production increases DMP, giving buyers greater value share, who in turn apply more pressure on producers.

But in the current era, people like Fernandez et al⁸⁹ are questioning the continuing usefulness of the ‘race to the bottom’: ‘in today’s post-MFA environment, apparel firms in developing

⁸⁴ Gereffi 2014, 16

⁸⁵ Frederick and Staritz 2012, 57

⁸⁶ Gereffi 2014

⁸⁷ Lopez-Acevedo et al. 2012; Appelbaum 2008, Azmeh and Nadvi 2014, Merk 2014

⁸⁸ Hymer 1976, 441

⁸⁹ Fernandez et al 2011, 19

countries need to seek out new sources of competitive advantage to support their growth. Long-term viability of the ‘race to the bottom’ sourcing strategy in the current global context is questionable and indeed industry experts note that firms are now looking for alternative sources of competitiveness.’

Merk⁹⁰ outlines how global brands started buying from fewer suppliers in fewer countries to reduce costs associated with logistics, warehousing, and turnover time. China, the biggest beneficiary of the MFA phase-out, grew its garment export market share from 16% in 2000 to 40% in 2012⁹¹. Consequently, trends in the value chain began to change.

Garment Sector Consolidation

The deregulation that made globalisation possible was motivated in part by the desire of buyers to intensify competition among suppliers while enlarging the available pool of firms. But the ensuing battle royal wound down as suppliers consolidated. The repetitive nature of this phenomenon (the continuous moulting of capitalism) is perceived as periodic ‘waves’ of consolidation (via mergers and acquisitions). Historically, in the US there have been six major waves, the most recent of which began in 2003 and is ongoing. Each successive wave is an attempt by capital to remedy, or ‘fix,’ a profitability crisis⁹². In the garment sector, the spatial and technological/organisational fixes are inversely related, so far as the limits for one are the opportunities for the other. In the waning years of the MFA era, and after, those firms that have survived competition have done so by increasing their size and productivity.

In the wake of economic crisis during the early 1970s, capital, as it so often did, exploited the chaos to initiate a deregulatory response—neoliberalism—one of whose chief goals was the reorientation of Global South policies of Import Substitution Investment (ISI) toward Export Oriented Industrialisation (EOI). A growing consensus asserted that EOI was necessary for the development of the underdeveloped—countries in Latin America and later Asia which lacked the internal markets to support a robust ISI programme. Over time, a rising tide would lift all boats. And, to an extent, this did accelerate development. But that acceleration, after the MFA and the 2008 crisis, was confined to China, India, and other, larger emerging economies, once production consolidated⁹³.

The germ of concentration, of course, is in competition itself, and has grown steadily as globalisation and deregulation have intensified competition, and swept up more and more industries, including textiles. The opening up of China, the liberalization of India, and the fall of the Iron Curtain have all hastened this process, including the eventual concentration of production in a handful of labour-rich countries. Gereffi⁹⁴ explains that ‘this influenced the globalisation process, as GVCs began to concentrate in these giant countries that offered seemingly exhaustible pools of low-wage workers, capable manufacturers, abundant raw materials and sizable domestic markets. Thus, China became the ‘factory of the world’, India the world’s ‘back office,’ Brazil had a wealth of agricultural commodities, and Russia possessed enormous reserves of natural resources plus the military technologies linked to its role as a Cold War superpower.’ Concentration would get additional boosts after 2000, with the rise of domestic consumer markets in emerging economies, and after 2008, with the decline in Global

⁹⁰ Merk 2014, 263

⁹¹ Russell 2014

⁹² Moody 2017

⁹³ Gereffi 2014

⁹⁴ Gereffi 2014, 15

North exports. During this period, Gereffi⁹⁵ discerns ‘explicit efforts of GVC lead firms to rationalise their supply chains in order to deal with a smaller number of highly capable and strategically located suppliers.’

Global South suppliers, who once piggybacked on transnational capital, have themselves now begun to operate as giant contractors and lead firms in GVC coordination. And so, the efforts of brands to reduce costs and consolidate control over GVCS have been their own undoing. Per Marx, ‘offshoots split off from the original capitals and start to function as new and independent capitals [...] With the accumulation of capital, therefore, the number of capitalists grows.’

Gereffi⁹⁶ connects the consolidation of production within a few countries to the consolidation of suppliers. The correlation, he argues, is caused by concentration across the entire GVC, from suppliers to intermediates to buyers. Eager to reduce transaction and monitoring costs, buyers ask themselves, ‘How can we ‘rationalise’ our supply chains from 300-500 suppliers to 25-30 suppliers?’⁹⁷ and inevitably begin working with fewer and larger suppliers. In the similar vein, Yeung⁹⁸ uses the example of the electronics sector to argue for the emergence of an organizational, as opposed to spatial, fix within labour-intensive GVCs, driven by and for lead firms. This strategic ‘choice’ analysis, however, has been criticised as, ‘presuppos[ing] that all other capitals do not have the power to contest that organizational leadership and will therefore have no choice but submissively to accept to valorise at a lower rate of profit’⁹⁹.

Gereffi’s work therefore supports my own contention that a fall in buyer source prices hastened the consolidation of manufacturers. But, again, this phenomenon is not a top-down decision made by buyers; rather, it is simply how market competition shakes out. To reiterate, a GVC buyer’s Degree of Monopsony Power (DMP) to a large extent determines the share of value within its reach. And a rise in DMP allows buyers to exert more pressure on producers, producing a positive feedback loop. Conversely, when DMP falls, the GVC becomes more ‘producer-driven.’ Thus, consolidation.

But both I and the ‘rationalist’ consolidation theorists understand that mergers and acquisitions are part of a larger developmental process. Mega-suppliers, for instance, are beneficiaries of the Global South’s ‘rising power’¹⁰⁰. Their growth reflects a global transformation of the economy. Horner and Nadvi¹⁰¹ identify 3 factors behind this change. One, nearly half of global manufacturing is now sourced from the Global South. Two, the Global South’s internal markets accounted for 32% of global consumption in 2010 and are estimated to increase that share to nearly half by 2025. Three, South-South has increased and encroached on South-North in global trade. But for all the entry barriers that have been surmounted, there remains a great deal red-tape holding back growth—namely, the rent-seeking laws governing copyrights, design, and brand names.

The logic of DMP is manifest in the growing number of supplier firms that have evolved from lowly cut-make-trim operations (eg. RMG) into ‘full package’ productions, verging on

⁹⁵ Gereffi 2014, 16

⁹⁶ Gereffi 2014

⁹⁷ Gereffi 2014, 15

⁹⁸ Yeung 2007

⁹⁹ Starosta 2010, 440

¹⁰⁰ Nadvi 2014

¹⁰¹ Horner and Nadvi 2018

multinationalism. Azmeh and Nadvi¹⁰² note ‘the emergence of large Asian suppliers as central players in the organizational restructuring of production and trade,’ which are now ‘co-leads’ or ‘strategic and pivotal’ firms, ‘effectively shaping the overall design of the global architecture of the garment value chain.’ ‘Geographically,’ they add, ‘these leading multinational garment manufacturers have built extensive dispersed and functionally integrated value chains that are spread pre-dominantly in Asia but also extend to Africa, the Middle East, and Central America.’

The Global South even receives most of its own FDI now¹⁰³. And though the regional economy suffered during the 2008 crisis, as industrial sectors, like metals and electronics, contracted, other sectors, like garments and textiles, food and beverage, and automotives, experienced minimal pain and bounced right back¹⁰⁴. The robustness of (mostly Asian) garment manufacturers, following the MFA, is attested throughout the literature¹⁰⁵. The ‘dragon multinationals,’ especially, are rising stars, currently internationalizing across Mainland China, Southeast Asia, and Africa.

The sector begins to change dramatically after the MFA, when consolidation picks up speed. Global brands streamline production by purchasing from fewer suppliers in fewer countries, reducing the associated costs (re: logistics, warehousing, turnover time). Soon, they source directly from the countries that produce textiles and clothing. This is especially noticeable in ‘labour-rich’ countries, though official data is difficult to access. Merk¹⁰⁶ elaborates that from global buyer’s side purchasing departments have begun to place the majority of their orders with a relatively small number of key suppliers. He sites the example of major shoe brand Nike in which 20% of contracted factories account for 80% of Nike’s total merchandise volume. Merk states, “This trend towards concentration has further been accelerated by the cessation of the MFA in 2005. Many lead companies have decided to reduce the number of suppliers they use drastically and consolidate their orders in fewer countries and with fewer suppliers. To minimise logistics costs and turnover time, retailers increasingly source from countries that can produce both textiles and clothing.”¹⁰⁷

The ascent of these firms marks a steep decline in the DMP of buyers. Crucially, it was a high DMP that initially led low-value small and mid-size firms to merge, so that they might survive the intense downward pressure exerted on them by buyers, while competing with one another. This move into value-added phases of the GVC has transformed it, fundamentally remaking the buyer/supplier balance of power.

An especially prominent sign that producers are capturing more value is upgrading. A 2011 report¹⁰⁸ showed expansion in the intangible services that occur before and after garment production in the value chain. In the survey, researchers found upgrading activity in the Asian

¹⁰² Azmeh and Nadvi 2014, 709

¹⁰³ UNCTAD 2011

¹⁰⁴ UNCTAD 2011

¹⁰⁵ Chiu, 2007; Applebaum, 2008; Fernandez-Stark, Frederick and Gereffi 2011; Rotunno, Verzina, and Wang 2012; Merk 2014; Gereffi 2014

¹⁰⁶ Merk 2014, 263

¹⁰⁷ For example in 2005-2006 sportswear company Puma eliminated 107 suppliers and Gap eliminated 615 factories (Applebaum, 2008; Wick, 2009, p. 11). Additionally, we saw retail consolidation of Wal-Mart, Target and K- Mart which plays an important role; they prefer to place orders with large suppliers capable of handling large volumes (Hurley and Miller, 2005; UNCTAD, 2005, p. 10).

¹⁰⁸ Fernandez-Stark et al 2011

garment sector but not in Africa, where production is still confined to assembly. In Sri Lanka, CMT facilities have upgraded to full-package production plus design. In Bangladesh, facilities have transitioned into full-package production as well as the OEM (original equipment manufacturer) stage.

The same study found that the pre-existing infrastructure in Turkey, where the garment sector already accounted for 80% of exports, allowed its suppliers to fast forward into full-package production during the 1980s. Today, full-package suppliers make up 60% of the global garment sector, and frequently subcontract low-level work out to places like Egypt and Morocco. This trend accelerated after 2000, when Turkey's full-package firms graduated to design work (ODM) and brand development (OBM). Lead times consequently shrank to under four weeks and local brands thrived, elevating Turkey into a centre for fashion and design that could boast of long-term design contracts with retailers like M&S¹⁰⁹. Indeed, the longstanding centrality of the garment industry to the Turkish economy (chief exports: t-shirts, sweatshirts, underwear, socks, men's shirts, and pants) gave it a leg up, allowing for easier upgrading and a streamlined, vertically-integrated local sector.

Similarly, the garment sector in Sri Lanka, which accounts for 50% of its exports, has been able to rapidly upgrade since 2000 with the benefit of duty-free access to EU markets (as part of the GSP/GSP-plus scheme). Sri Lanka's multinational suppliers are now opening up vertically-integrated factories in Africa and Jordan, as well as textile facilities in India and Bangladesh. By the 2000s, the Sri Lankan garment sector had weaned itself off FDI, and 80-85% of factories were owned by Sri Lankans¹¹⁰. As DMP fell between 2005 and 2014, the number of garment factories in Sri Lanka halved, while export share to the US and EU remained constant, and larger Sri Lankan suppliers rapidly expanded. Now only 4 mega-suppliers---MAS Holdings, Brandix, Polytex, and Hirdaramany---employ 75,000 of the country's 230,000 garment workers, while raking in 25% of total garment export earnings¹¹¹.

The fourth largest global exporter of garments, Bangladesh, has seen its own knit and woven sectors advance in the last decade from CMT to OEM full-package operations with sourcing and logistics under the same roof. Although, like many other domestic garment industries, the Bangladeshi sector was seeded by FDI, it is now in mostly local hands¹¹². The largest, most capital-intensive firms, however, remain foreign-controlled. South Korean mega-supplier Youngone Holdings, for one, which has an annual turnover of \$1.5 billion, and production sites across China, Vietnam, and El Salvador, in addition to its 17 factories in Bangladesh, employing over 60,000 workers¹¹³. Consolidation has hit the Philippines, also, where Hurley (2005) notes that only 5 of the 1500 registered garment firms account for 20% of the domestic garment industry's outputs.

Twilight of the Spatial Fix?

The 2008 crisis was an economic pivot point¹¹⁴. A combination of factors, including state policy, labour shortages, and strikes, has since begun to raise labour costs in South China's Pearl River

¹⁰⁹ Fernandez-Stark et al 2011

¹¹⁰ Fernandez et al 2011

¹¹¹ Merk 2014

¹¹² Fernandez et al 2011

¹¹³ Merk 2014

¹¹⁴ Since the postwar Golden Age, advanced capitalist economies have stumbled from crisis to crisis, losing momentum. This Pyrrhic retreat, an historic slowdown in capital accumulation (growth of gross capital formation), is manifest in declining rates of

Delta region, endangering profit margins. The *Wall Street Journal* warns that Chinese industry will be forced into making tough decisions, ‘once the global factory floor for clothes and toys pushes through a transition to higher-value manufacturing in industries such as cars, aircraft and electronics.’

A 2012 survey conducted by the American Chamber of Commerce found that only 73% of US firms in Shanghai were profitable, down from 78% in 2011 and 79% in 2010; an ongoing slide it attributed to rising labour and logistical costs, a shrinking labour supply, and the emergence of domestic competition. Another 2012 survey found that almost half of US manufacturers and importers in China were considering moving out of the country altogether for the same reasons (and that 26% did). The anxiety is understandable. China is in the throes of internal economic turmoil (including a rebalancing of power between labour and capital and burgeoning consumer markets), while also overseeing the shift to a new status quo in global trade, with a deficit-West and a surplus-East.

Because they are now, effectively, the two poles around which world trade revolves, a comparison of the US and China—which is to say, the world’s largest consumer and its largest producer, respectively---allows us to take the pulse of the global economy. Between 2007 and 2012, for instance, US consumer had debt grown some 10%. Meanwhile, in China, where there are more active credit card accounts than there are people in the US, it ballooned an astonishing 67%¹¹⁵. And it was in 2012 that GDP output in China from services (transport, retail, real estate, etc.) reached new heights, outperforming industrial sectors for the first time since 1961¹¹⁶. Such is the speed of this transition, from the world’s supply-side workshop to its next great marketplace, that manufacturing balance sheets in China and the U.S. may soon converge---with the notable exception of garment production¹¹⁷.

With that convergence looming, capital will be forced into yet another spatial fix—likely setting up shop in emerging economies. And once those emerging economies—Indonesia, Peru, Mexico, Eastern Europe, etc.—mature into service economies as well, driving up local labour costs, where will capital go after that? Much of Africa, populous as it may be, lacks the readymade infrastructure necessary for large-scale manufacturing¹¹⁸. And though Vietnam and India have variously been touted as the ‘next China,’ a host of political factors makes such prophecies unlikely.

But as Silver and Zhang¹¹⁹ caution, the enduring advantages of China do not make large-scale capital flight a forgone conclusion, at least not anytime soon:

‘...economies of agglomeration provided by planned industrial districts and networks, a healthy and educated workforce. And the size of the internal market are all strong motivations for investments in China that would remain even if labour costs rise substantially. If anything, rising real wages will make China even more attractive as a site of investment as the relative global weight of the Chinese market increases further.’

both production growth (GDP growth) and investment (investment as a percentage of GDP). The present crisis is therefore a single stage in a larger, longer downturn (Durand and Lege 2013).

¹¹⁵ UPI 2013

¹¹⁶ Economist 2013

¹¹⁷ Fox 2018

¹¹⁸ Fernandez-Stark 2011

¹¹⁹ Silver and Zhang 2010, 184

But over the long run, collapse appears inevitable. Capital is prone to crisis and as David Harvey observes, ‘capital never solves its crisis tendencies, it merely moves them around.’ Yet, we live in a finite world, meaning that the spatial fix is a tactic with built-in obsolescence: there are only so many viable destinations. Part of the reason for capital’s continual innovation is that each new fix chases a frontier that is already vanishing.

Harvey and Lefebvre argue that capitalism’s survival is contingent on the creation, or discovery, of new space; of finding, through hook or crook, endless lebensraum. Lefebvre¹²⁰ asserts that if this geography does not exist, it is necessary to invent it, to continue extracting maximal surplus value—and that this is the chief historical means by which capitalism has contained crises and endured.

The maintenance of capitalism, according to Lefebvre¹²¹, is accomplished—at least in part—through the domination of physical spaces. Harvey took this notion, added another dose of Marx, and applied it to the globalisation of capital in his *Limits of Capital*¹²², which elaborated the theory of the ‘spatial fix,’ or the use of geography by capital to neutralise crises. As Robert Brenner argues, capitalism emerged out of the surpluses accumulated by petty 16th century merchants and traders (the devil makes work for idle surpluses). As capitalism developed through the centuries, colonial plunder and other surpluses were successfully reabsorbed by the system, subsidising the growth of managerial classes and large-scale industrialisation. By 1970s, however, things came skidding to a halt: advanced economies could no longer absorb their own surpluses.

Harvey¹²³ traces the intellectual heritage of his ‘spatial fix’ through Marx to the late Hegel; a thread that then was woven into the anti-imperialism of Luxembour, Hobson, Lenin, and Bukharin, with empirical reference to the depressions of 1873-1896 and the early 20th century¹²⁴. Despite the vogue it acquired in the 1970s, Harvey¹²⁵ insists that the spatial fix is only a short-term solution. When place becomes a variable, everything tied to terra firma begins to depreciate. And, as Harvey¹²⁶ points out, those assets are hard to replace; and each new space only spreads resources more thinly. The spatial fix, therefore, staves off tomorrow’s crisis, while setting up the Big One.

As decades of recent history attest, spatial fixes are clearly a significant obstacle for labour. Here I’ve shown that they can also lead to *organizational fixes*, such as when suppliers expand, vertically or horizontally, to become large oligopolistic firms, capable of throwing their weight around the GVC.

And since buyers relate to suppliers much like suppliers relate to labour, it follows that there is a great sleeping power in the workers, whose collective action can remake the GVC, and----at the very least---enlarge labour’s share of captured value.

¹²⁰ Lefebvre 1976

¹²¹ Lefebvre 1991

¹²² Harvey 2006

¹²³ Harvey 2001

¹²⁴ For a contemporary Marxist analysis of imperialism see Knox 2016

¹²⁵ Harvey 2006

¹²⁶ Harvey 2006

Bibliography

- Abernathy, Frederick H., John T. Dunlop, Janice H. Hammond, and David Weil. 1999. *A Stitch in Time: Lean Retailing and the Transformation of Manufacturing: Lessons from the Apparel and Textile Industries*
- Anner, Mark, Jennifer Bair, and Jeremy Blasi. 2012. 'Buyer Power, Pricing Practices, and Labor Outcomes in Global Supply Chains'.
- Anner, Mark. 2015. 'Labor Control Regimes and Workers Resistance in Global Supply Chains' *Labor History*, 56:3,292-307.
- Appelbaum, Richard P. 2008. 'Giant Transnational Contractors in East Asia: Emergent Trends in Global Supply Chains'. *Competition & Change* 12 (1): 69–87.
- Azarhoushang, Behzad, Alessandro Bramucci, Hansjörg Herr, and Bea Ruoff. 'Value chains, underdevelopment and union strategy.' *International Journal of Labour Research* 7, no. 1/2 (2015): 153.
- Azmeh, Shamel, and Khalid Nadvi. 2014. 'Asian Firms and the Restructuring of Global Value Chains'. *International Business Review* 23 (4):708–17
- Bissell-Linsk, J. 2017. Nike's focus on robotics threatens Asia's low-cost work- force. *Financial Times*. October <https://www.ft.com/content/585866fc-a841-11e7-ab55-27219df83c97>
- Chiu, C. C. H. (2007). Workplace practices in Hong Kong-invested garment factories in Cambodia. *Journal of Contemporary Asia*, 37(4), 431–448.
- Coe, Neil M., Martin Hess, and Peter Dicken. 2008. *Journal of Economic Geography*, 271–95.
- Cook, Karen S. 1977. 'Exchange and Power in Networks of Interorganizational Relations.' *The Sociological Quarterly* 18:62–82.
- De La Merced, M.J and J. Cane. 2011. 'Confident Deal Makers Pulled out Checkbooks in 2010. *The New York Times*.
- Dunford, Michael, Robin Dunford, Mirela Barbu, and Weidong Liu. 2016. 'Globalisation, cost competitiveness and international trade: The evolution of the Italian textile and clothing industries and the growth of trade with China.' *European Urban and Regional Studies* 23, no. 2: 111-135.
- Durand, Cedric. and Légé, Phillipe., 2013. Regulation beyond growth. *Capital & Class*, 37(1), pp.111-126
- Economist. 2013. 'Industrial Eclipse'. *The Economist*. April 15.
- Feenstra, Robert C. 1998. 'Integration of trade and disintegration of production in the global economy' *Journal of Economic Perspectives*. 12 (4): 31-50.
- Fernandez-Stark, K., Frederick, S., & Gereffi, G. (2011). 'The apparel global value chain: economic upgrading and workforce development, technical report'. Center on Globalization, Governance and Competitiveness, Duke University.
- Foster, John Bellamy, Robert McChesney, and Jamil Jonna. 2011. 'Monopoly and Competition in the Twenty-First Century'. *Monthly Review* 62(11).
- Fox, Justin (2018) 'U.S. Manufacturing isn't dwindling away (or booming)' *Bloomberg*. March 7. <https://www.bloomberg.com/view/articles/2018-03-07/u-s-manufacturing-isn-t-beating-china-but-it-s-not-doomed>
- Frederick, Stacey and Cornelia Staritz (2012) 'Development in the Global Apparel Industry after the MFA Phase Out' *Sewing Success?.* edited Lopez-Acevedo, Gladys, and Raymond Robertson. Washington DC: World Bank.
- Galanis, G. and Kumar, A., 2021. A dynamic model of global value network governance. *Environment and Planning A: Economy and Space*, 53(1), pp.53-72.

- Gereffi, G 2014. 'Global value chains in a post-Washington Consensus world'. *Review of international political economy*, 21(1), 9-37.
- Gereffi, G. 1994. 'The Organization of Buyer-Driven Global Commodity Chains: How U.S. Retailers Shape Overseas Production Networks', in G. Gereffi and M. Korzeniewicz (eds), *Commodity Chains and Global Capitalism*, Westport: Praeger, pp. 95–122.
- Gereffi, G. John Humphrey, and Timothy Sturgeon. 2005. 'The Governance of Global Value Chains' *Review of International Political Economy*, 12(1): 78-104
- Gereffi, G. Korzeniewicz, M. 1994. *Commodity Chains and Global Capitalism*. Westport: Praeger.
- Harvey, D. 2001. Globalization and the 'spatial fix'. *Geographische Revue*. 2, 23-30.
- Harvey, David. 2006. *The Limits to Capital*. Verso Books.
- Hopkins, Terence K. and Immanuel Wallerstein 1994, 'Commodity Chains in the Capitalist World-Economy Prior to 1800', in *Commodity Chains and Global Capitalism*, edited by G. Gereffi and M. Korzeniewicz, Westport: Praeger.
- Horner, R. and Nadvi, K., 2018. Global value chains and the rise of the Global South: unpacking twenty-first century polycentric trade. *Global Networks*, 18(2), pp.207-237.
- Hurley, J.; and Miller, D. 2005. The Changing Face of the Global Garment Industry. in J. Will and A. Hale (eds) *Threads of Labour Garment Industry Supply Chains from the Workers' Perspective*. Malden: Blackwell Publishing.
- Hymer, Stephen 1979, *The Multinational Corporation: A Radical Approach*, Cambridge: Cambridge University.
- Kalecki, M. 1971. *Selected Essays on the Dynamics of the Capitalist Economy*. Cambridge: Cambridge University Press.
- Knight, John, and Lina Song. (2005). *Towards a labour market in China*. Oxford: Oxford University Press.
- Knox, Rob. 2016. 'Valuing race? Stretched Marxism and the logic of imperialism'. *London Review of International Law*, 4(1), 81–126.
- Kopf, J., Vehorn C., Carnevale, J. (2013) 'Emerging Oligopolies in Global Markets: Was Marx ahead of hist time?' *Journal of Management Policy and Practice*. Vol. 14 (3).
- Kumar, A. 2018 'A Race from the bottom? Lessons from a workers' struggle at a Bangalore warehouse' *Competition and Change*.
- Kumar, A., 2019. Oligopolistic suppliers, symbiotic value chains and workers' bargaining power: labour contestation in South China at an ascendant global footwear firm. *Global Networks*, 19(3), pp.394-422.
- Kumar, Ashok. 2020 "Monopsony Capitalism: Power and Production in the Twilight of the Sweatshop Age" *Cambridge University Press*.
- Lefebvre, Henri. 1976. *The Survival of Capitalism: Reproduction of the Relations of Production*. Bryant F (trans). New York: St. Martin's.
- Loong-Yu, Au (2005) 'The Post MFA era and the rise of China' *Asia Labour Update Issue 56*. Asia Monitor Resource Centre.
- Lopez-Acevedo, Gladys, and Raymond Robertson. 2012. *Sewing Success? Employment, Wages, and Poverty Following the End of the Multi-Fibre Arrangement*. Washington DC: World Bank.
- Mahutga, M. 2014. Global Models of Networked Organization, the Positional Power of Nations and Economic Development. *Review of International Political Economy*. 21(1): 157-194.
- Mahutga, M. C. 2012. When do Value Chains Go Global? A Theory of the Spatialization of Global Value Chains. *Global Networks*. 12(1): 1-21.
- Mandel, Ernst. 1968. *Marxist Economic Theory*. London: Merlin Press.
- Manthrope, R. 2017. To make a new kind of shoe, adidas had to change everything. *Wired*.
- Marx, Karl. 1867. *Capital, Volume I*. Harmondsworth: Penguin/New Left Review.
- Mayer, Frederick W. and Nicola Phillips (2017) 'Outsourcing governance: states and the politics of a

- ‘global value chain world’’, *New Political Economy*, 22:2, 134-152 McBride, Stephen, and Gary Teeple. 2011. *Relations of Global Power: Neoliberal Order and Disorder*. University of Toronto Press.
- Merk, Jeroen. 2008. Restructuring and Conflict in the Global Athletic Footwear Industry. *Global Economy Contested: Power and Conflict across the International Division of Labour. Rethinking globalizations*. Routledge, New York, 79-97.
- Merk, Jeroen. 2014. ‘The Rise of Tier 1 Firms in the Global Garment Industry.’ *Oxford Development Studies*. 42(2):277-285.
- Mezzadra, Sandro and Brett Neilson. 2013. *Border as Method*, Duke University Press.
- Milberg, William and Deborah Winkler. 2013. *Outsourcing economics: global value chains in capitalist development*. Cambridge University Press,.
- Moody, Kim. 2017. *On New Terrain*. Chicago: Haymarket Books.
- Moudud, J., Bina, C. and Mason, P. L. (2013) ‘Introduction’, in Moudud, J. ., Bina, C., and Mason, P. L. (eds) *Alternative Theories of Competition. Challenges to the orthodoxy*. Routledge, pp. 1–12.
- Nadvi, Khaled. (2014). ‘Rising powers’ and labour and environmental standards. *Oxford Development Studies*, 42(2), 137-150.
- Nathan, Dev, Saripalle, Madhuri and L. Guranathan. 2016. ‘Labor Practices in India’ *ILO Asia-Pacific Working Paper Series*.
- Nolan, Peter, Jun Zhang and Chunhang Liu. 2008. ‘The Global Business Revolution, the Cascade Effect, and the Challenge for Firms from Developing Countries’ *Cambridge Journal of Economics*. 32:29-47.
- Norton, B. (1983). ‘The Accumulation of Capital as Historical Essence: A Critique of the Theory of Monopoly Capital’ Association for Economic and Social Analysis: Discussion Paper Series.
- Onaran, Özlem, and Giorgos Galanis. 2014. ‘Income distribution and growth: a global model.’ *Environment and Planning A* 46, no. 10: 2489-2513.
- Pickles, John and Adrian Smith. 2016. *Articulations of Capital*. Wiley Blackwell.
- Porter, Michael E. 2008. ‘The Five Competitive Forces that Shape Strategy.’ *Harvard Business Review*, January 1, pp. 1–18.
- Robinson, J. 1969. *The Economics of Imperfect Competition*. Macmillan.
- Rotunna, L., P-L Vezina and Z. Wang. 2012. ‘The rise and fall of (Chinese) African apparel exports’ CSAE Working Paper 2012-12.
- Russell, Beron. 2014. ‘Opportunities and Challenges in Asia’s Apparel and Textile Sector’. *Apparel*, February 12. <http://apparel.edgl.com/news/opportunities-and-challenges-in-asia-s-apparel-and-textile-sector91123>.
- Sawyer, Malcom C. 1988. ‘Theories of Monopoly Capitalism’ *Journal of Economic Surveys* Vol. 2, No. 1
- Schmitz, Hubert, and Peter Knorringa. 2000. ‘Learning from Global Buyers.’ *Institute for Development Studies, Sussex*. Working Paper
- Schoenberger, E. (1994) ‘Competition, Time, and Space in Industrial Change’, in Gereffi, G. and Korzeniewicz, M. (eds) *Commodity Chains and Global Capitalism*. Westport: Praeger Publishers, pp. 51–66.
- Schumpeter, J. A. (2010) *Capitalism, Socialism and Democracy*. Abingdon: Routledge.
- Shaikh, Anwar. (2016) *Capitalism: Competition, Conflict, Crises*. Oxford University Press.
- Silver, Beverly; and Lu Zhang. 2009. ‘China as an Emerging Epicenter of World Labor Unrest’. In *China and the Transformation of Global Capitalism*, edited by Ho-fung Hung. The Johns Hopkins University Press.
- Silver, Beverly. 2003. *Forces of Labor*. Cambridge University Press.
- Starosta, Guido. 2010. ‘Global Commodity Chains and the Marxian Law of Value’ *Antipode*. 42:2: 433-465.
- Stockhammer, Engelbert. 2017. Determinants of the wage share: a panel analysis of advanced and developing economies. *Environment and Planning A*. 48(9): 1804-1828.

- Stockhammer, Engelbert. Durand, C.; and Ludwig, L. 2016. European growth models and working class restructuring: an international post-Keynesian political economy perspective. *Environment and Planning A*. 48(9): 1804-1828.
- Sturgeon, T. and Florida, R. (2000) *Globalization and Jobs in the Automotive Industry, Industrial Performance Centre Globalization Working Paper*. MIT-IPC-00-012. Cambridge, MA.
- UNCTAD. 2011. 'Non-equity modes of international production and development'. *World investment report*, New York and Geneva, United Nations.
- UPI, 2013. "Consumer debt soars in Asia" April 22.
- Wang, Xiaobing, and Nick Weaver. 2013. 'Surplus labour and Lewis turning points in China.' *Journal of Chinese Economic and Business Studies* 11, no. 1: 1-12.
- Wick, I. 2009. *The Social Impact of the Liberalized World Market for Textiles and Clothing: Strategies of Trade Unions and Women'S Organisations*. Frankfurt am Main: Otto Brenner Foundation.
- Yang, J. J. (2006). Corporate Unionism and Labor Market Flexibility in South Korea. *Journal of East Asian Studies*, 6(02), 205-231.
- Yeung, Henry Wai-Chung. 2000 'Local Politics and Foreign Ventures in China's Transitional Economy: The Political Economy of Singaporean Investments in China,' *Political Geography*, 19, 809–840.
- Yeung, Henry Wai-Chung. 2004. *Chinese Capitalism in a Global Era: Towards Hybrid Capitalism*. London, UK and New York, NY: Routledge,
- Yueng, Henry Wai-Chung. 2007. 'From followers to market leaders: Asian electronics firms in the global economy.' *Asia Pacific Viewpoint* 48, no. 1: 1-25.