INTERDEPENDENT SCALES OF CAPITAL ACCUMULATION

a research agenda on the possibilities and limits of a conceptual articulation of global commodity chains, accumulation at the world scale and the variety of national accumulation regimes

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During the past two decades, a growing literature has studies Global Commodity Chains (GCC). These works consider as a whole each of the activities which contribute to the elaboration of a good or a service, from its design and the extraction of natural resources up to the final consumption. They study the forms of interdependency between these various nodes. Such an approach gives relevant accounts of the segmentation of productive processes among various countries. It also draws insightful perspectives concerning the study of firms’ and territories’
competitiveness and the understanding of development trajectories.

Since the publication of the 1994 book edited by Gary Gereffi et Miguel Korzeniewicz, *Commodity Chains And Global Capitalism*, an important research program was set up. It is remarkable as far as its volume, its empirical richness and its involvement in academic debates\(^1\). A recent book, *Frontier of Commodity Chain Research* (Bair, 2009), is making an assessment of the development of this research area. Beyond this scientific dimension, it is striking that this conceptual framework is being used by NGOs and social movements involved in transnational lobbying or activism (Oxfam, clean clothes campaign,...) and by international institutions. Indeed, Global Value Chains analysis are used in research conducted or circulated by UN institutions such as ECLAC, UNIDO, UNCTAD and ILO. Moreover the World Bank and the OECD have recently dedicated an international seminar and a book to the theme of *Global Value Chains in a Post Crisis World, A Development perspective* (Cattaneo, Gereffi and Staritz, 2010). The institutional reception of this approach implies that it could influence policy making, in particular in the developing world. Moreover, it also inspires the creation of new statistical indicators by the OECD in order to better capture the dynamics of international trade, which are linked to the fragmentation of production.

This research project proposes to begin with empirical stylized facts, which are well documented in the commodity chains literature, in order to better understand the process of capital accumulation at the global scale and its relations with the enduring national variety of capitalism (VoC), in particular among developing countries. Such a research should nurture original analyses on contemporary issues such as the geographical shift of global capitalism dynamics out of the Triad,

\(^1\) We will discuss more precisely the various names given to these approaches later. In addition to a special issue of *Economy and Society* (« Governing Global Value Chains », 2008) and of the *Revue Française de Gestion* (« Les Chaînes globales de Valeur », 2010), numerous articles have been published in academic journals such as *Review of International Political Economy, Competition and change, Journal of Development Studies, World Development, Research Policy, Transnational Corporations, International Journal of Technological Learning, Innovation and Development, Cambridge Journal of Economics, Applied Economics, Environment and Planning A, Journal of Economic Geography, Revue de la Régulation, Global Networks, Industrial and Corporate Change, Journal of Asian economics...*
the interdependency between diversified national socio-economic trajectories and the structural nature of inequality within and between countries. To study the full scope of such issues, we need to look at research results in other disciplines such as Sociology, Management, Geography or Political Science. We also need to historicize the contemporary mutations of global capitalism. More precisely, in the aftermath of the crisis, we propose to address the rapid readjustments which reshape the complex and contradictory set of tendencies, which constitutes the so-called “globalization”.

The next section presents some contextual elements which explain the success of the GCC literature (section2). The genealogy of this approach as well as its main strengths and weaknesses are then discussed (section3). Finally, we will use our recent and current researches in order to draw a research agenda (section4).

A analytical framework in phase with the mutations of contemporary global capitalism

The success of the GCC framework echoes three main interdependent transformations: a political transformation linked to the integration of all the countries in the world economy and the shift of capitalism dynamics toward Asia; the intensifying of international trade which is nurtured by the segmentation of productive processes; the increase of financial activities and the acceleration of the circulation of capitals.

Integration in global capitalism appears to be a necessary condition for any national development trajectory. Former communist countries have embraced markets and the Latin American Import substitution strategies were abandoned, while newly industrialized Asian countries economic performances were striking. A posteriori, the success of the Chinese catch-up in parallel with its economic openness seems to confirm the decisive role played by the participation in international trade networks. However, the insertion in global economic networks is not synonymous with development: this is illustrated in various ways by the great post-socialist depression in ex-USSR,
the continuous social regression in Mexico for the past two decades or the durable economic subordination of many African countries; a contrario, the rapid growth of India shows that some level of protection from global markets does not prevent economic development.

However, The Rise of the Rest (Amsden, 2003) is dramatically reshaping world capitalism. The share of G7 countries in World GDP in PPP has fallen from 56% at the beginning of the 1980s to about 40% in 2010 (and from about 70% to 50% at market prices; WEO-IMF). This dynamics has been accelerated by the various fortunes of the countries during the current great crisis and its predicted aftermath. According to data from the Conference Board, China should become the world largest economy in the next decade².

The second important change is the globalization of productive processes. Since the 1960s, rich markets from developed countries have been linked to low cost manufacturers from South-East Asia because of the rise of global buyers. This phenomenon has accelerated during the past two decades with the segmentation of productive processes (Feenstra, 1998; Feenstra and Hamilton, 2006). This segmentation was favoured by the emergence of a new industrial logics oriented towards more diversity and flexibility (Piroe and Sabel, 1984) and by a logistical and informational revolution which has dramatically reduced communication and transportation costs. Moreover, the dramatal change of the institutional context has also played an important rôle. Indeed, policies derived from the Washington Consensus and regional integration processes have widely liberalized trade and investment flows which facilitate intra-firm trade and offshoring. The consequences of this segmentation of productive processes are ambivalent: on the one hand, it implies an intensification of exchanges between dispersed economic units which should favour the dissemination of knowledge and upgrading dynamics for firms in developing countries; on the other hand, such a fragmentation of production allows for greater international competition among workers and between socio-productives systems, which contributes to rising inequalities in rich countries (Petit, 2010; Atkinson, Piketty and Saez, 2009) and in the developing world as well.

(Palma, 2006; Kaplinsky, 2005). The issue of export processing zones in which more than 66 millions of people are working in 130 countries – most of the time young women suffering precarious work conditions and labor standards - is emblematic of such a tension between the potentiality for upgrading and the weakening of social standards (Milberg, 2007). In addition to the geographic dispersion of workers, the global doubling of the workforce which results from the integration of China, India and European and Central Asian Post-socialist countries raises the issue of a structural shift in the balance of power between labor and capital at the expense of labor (Freeman, 2006; IMF, 2007). However, the «race to the bottom» is not an endless process: some emerging economies have experienced significant wage increases during the past decade (BIT, 2010) and widespread workers action in China during spring 2010\(^3\) shows once again that social conflicts follow the geographic extension of capitalism (Silver, 2003).

The rise of finance and its interaction with the globalization of productive processes is the third phenomenon which gives sense to the GCC perspective. Indeed, the spread of the shareholder value norm in northern firms is not independent from social conditions at the other extremity of the chains: «While growing shareholder returns were extracted at the top of GCCs, work conditions deteriorated in the North and substandard conditions rose in the South for women forming the bulk of the productive workforce at the base of the chains.» (Palpacuer, 2008, p. 413). This link is confirmed by Milberg et Winkler (2008 and 2009) when they establish a positive relationship between firms’ profitability and recourse to offshoring. This is an important point in the debate about financialization as it should partly explain the “profit without accumulation” phenomenon which is one of the most puzzling stylized facts in the recent decades (Stockhammer, 2004 et 2007). The other way around, up to the crisis, financial services to households have compensated the insufficiency of wages to meet the global supply. This insufficiency is at least partially the result of the deterioration of the labor position in a context of growing international competition.

Development strategies, globalization of productive processes, financialization: it will be necessary

\(^3\) «Signs of widespread worker action in China », Financial Times, june 10th, 2010
to show how the GCC framework is able to address these issues in an insightful and distinctive way, compared to international economics. But it is first necessary to draw a rapid genealogy of the GCC paradigm and to propose a preliminary balance of its strengths and weaknesses.

Genealogy, contributions and limits of the GCC paradigm

The concept of *commodity chain* was first developed within the World System (WS) school [1977, p. 128; Arrighi and Drangel, 1986, p. 16]. In the Braudelian perspective of long term history, the chains are the very place where the unequal retribution of the rewards of various economic activities takes place, and they are structuring a core-periphery polarization of the world economy.

The GCC approach retains from this lineage a rejection of *a priori* state-centric analysis. The concept of *chain* allows to look at economic dynamics behind and beyond the state level. Moreover, as well as the French *Filières* framework [Arena *et al.*, 1991; Raikes *et al.*, 2000], it focuses on the sequential and interconnected dimension of economic activities from primary resources extractions up-to final consumption.

In the early nineties, the initiators of the GCC framework recognized the novelty of globalization as a phenomena characterized by a pattern of geographical dispersion of functionally integrated economic activities [Dicken, 1992]. Their research agenda thus primarily focuses on the organizational forms of this international segmentation of production, its causes and its consequences. Moreover, they are much more interested in the public policy implications of their analyses than their WS predecessors. One of their key results is the insightful distinction between Buyer-Driven Commodity Chains and Producer-Driven Commodity Chains. Indeed, this issue of driveness is considered as a key determinant of development trajectories depending on the fact that they allow – or not – the upgrading of national or regional economies [Gerrefi and Korzeniewicz, 1994]. According to Gereffi, “development requires linking up with the most significant lead firms in the industry” (Gereffi, 2001, p. 1622), even if it is not a sufficient condition as excessive market power asymmetries could lead to “immiserising growth” dynamics (Kaplinsky,
The problems addressed by this literature have gradually slightly shifted [Bair, 2006 and 2009], partially due to the growing influence of international business studies. Departing from broad development issues discussed at the global industry level, much of the research promoted by the “Global Value Chains Initiative” has henceforth focused on the performances of developing-countries firms. Therefore, topics such as the asymmetries of power and the contextual and institutional issues have been somehow marginalized whereas others, such as the exploration of the effectiveness of various inter-firm coordination forms linked to the characteristics of the transactions and the capabilities of the actors, have become prominent. (Gereffi et al., 2005).

Beyond these evolutions, the most striking fact is that the GCC framework has given to a wide range of researchers from various disciplines a methodology which has allowed for an impressive accumulation of empirical work. Unfortunately, the other side of the coin is a lack of theoretical achievement and a conceptual confusion. The instability of the denomination is symptomatic on this last point: Global Commodity Chains (GCC), Global Value Chains (GVC), Global Production Networks (GPN...), etc. These theoretical shortcomings are disturbing as they weaken our understanding of mechanisms at stake, which implies a risk of transmitting significantly biased analyses to policy makers. Several articles have shown concern about that. They suggest to work on three main questions: try and establish a link with the theory of capital accumulation in general; embed GCC research within classical issues of development economics; look at the way firms strategies are interacting the variety of capitalism.

One of the critical problem is “the theoretical difficulties in connecting the particular characteristics of GCCs with the general dynamics of capital as a whole” [Starosta, 2010, p.439]. More particularly, three various and successive kinds of competitive dynamics need to be analyzed. First, as consistently pointed out in the early GCCs approach [Gereffi, 1994, p. 4], the very existence of a

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4 Name of a program heavily funded by the Rockefeller Foundation. Since 2000 several workshops have been organized. They have gathered academics researchers, policymakers, NGO activists, trade-unionists, and some people involved in UNIDO, UNCTAD, ILO and the World Bank.
hierarchy of different capitals with differential capacities of valorization has to be linked to the control by core firms of strategic assets which gave them a monopoly power. Second, there is a need to explain why some capitals are able to survive instead of disappearing or being absorbed in spite of their lower profitability compared to others within GCCs. Third, the perpetuation of asymmetries over a period does not imply that the process is cumulative nor irreversible on a longer term. The process of competition may erode over time the advantages of lead firms and lead to significant shifts in the balance of power and thus in the governance structure of GCCs.

In order to address these issues, the chain analysis of industry dynamics needs to be articulated to the general process of capital accumulation (Harvey, 1996, p. 64-66 and 2006; Chesnais, 1996). Such a perspective is particularly relevant to help us understand the shifting patterns of accumulation along GCC and their spatial dynamics, but also to try to “locate shifts in which chains are the major loci of capital accumulation” (Hopkins and Wallerstein, 1994, p. 49). Moreover it interestingly enables us to address the issue of the specificities of commercial and financial capital – whose role has dramatically increased during the past decades.

A second kind of critics calls for a broader perspective on development issues: « Future work on GCCs should go beyond case studies and attempt to confront some general questions regarding development processes in space and time: does integration into specific segments of global commodity chains allow for progress ‘beyond underdevelopment’? If so, of what kind and under what circumstances? Or do the dynamics of global production networks deepen socioeconomic polarization in the periphery, creating new ‘islands’ of development for those locations that become incorporated into chains? » [Dussel-Peters, 2008, p. 15]. The Global Value Chains literature focus on upgrading has indeed tended to neglect the link with broader development issues. Moreover, because most case studies have focuses on success stories potential fallacy of composition problems were not sufficiently taken into account.

Such shortcomings are not surprising since the most elaborated theoretical framework within the GVC perspective fall short of such a challenge: “The GVC governance framework (...) is not a
grand theory of globalization nor economic development but a more modest theory of linkages, or, perhaps better, a theory that seeks to explain and predict how nodes of value-adding activity are linked in the spatial economy” (Sturgeon, 2009, p. 123). Sturgeon suggests a “modular” epistemology of theory building according to which the GVC governance contribution is an element to be completed by other theoretical frameworks. However, the underlying hypotheses upon which such a theoretical construction is to be built are not explicit, raising doubts as far as the viability of the project. The eclecticism of the theoretical inspiration of the GVC governance framework is from this point of view revealing: it was built on a mixture of Transaction Costs Economics, socioeconomic research on networks à la Granovetter and a variety of evolutionist works on capabilities, which could not be coherently articulated given the state of the current theoretical knowledge.

Finally, proponents of the GPN perspective [Ernst, 2002 ; Henderson et al, 2002 , Coe et al, 2008] criticize the relative disconnection between the focus on intra-chain links and the social and economical context in which firms networks are embedded. They dispute the “chain” metaphor because it suggests an exclusively vertical linear inter-firm interdependency at the expense of horizontal and diagonal relationships. Moreover, as GVC research is mainly concerned with inter-firm governance structure “there appears to be little room for understanding where national and local differences in labour market organization, working conditions etc. come from. In our view these issues cannot be effectively theorized unless it is understood that inter-firm networks link societies which exhibit significant social and institutional variation, embody different welfare regimes and have different capacities for state economic management: in short, represent different forms of capitalism” [Henderson et al, 2002].

Contrasting with the rich empirical record of the GCC literature, its theoretical weakness points to the necessity of more conceptual work such as an articulation with the general theory of capital accumulation, development theories and VoC approaches. However, in order to make these
theoretical issues clear and show how significant they are, it's necessary to confront them with relevant stylized facts about the current transformation of globalization and the processes of uneven development.

Globalization and the diversity of accumulation regimes and of socio-economic trajectories: a research agenda

The global shift in capitalism dynamics out of the Triad that occurred with the intensification of international economic flows has accelerated during the past few years. With the crisis, there has been a sharp contraction of trade in 2009 but it has not stopped this global process but, on the contrary, we observed a more important divergence between growth rates in developed economies and in some of the most prominent developing economies. The crisis will thus probably be seen as a rupture – or a threshold – the characteristics and the aftermath of which need to be addressed concerning 1/ globalization, 2/ the transformation of various but interrelated accumulation regimes and 3/ the diversity of socio-economic trajectories and the intra and international dynamics of inequalities.

Globalization as an economico-political set of institutions has been able to temporarily overcome the contradictions of the post-war II capitalism, which was mainly structured at the national scale. However, new contradictions have emerged, some of which became fully visible with the 2007-2008 crisis. As pointed out by Jessop and Sum “there are objective limits to economic globalization due to capital’s need not only to disembed economic relations from their old social integument, but also to re-embed them into new supportive social relations” (2006, p. 294). Thus, there is a tension between, on the one hand, an acceleration of monetary flows which embody the freedom acquired by the most abstract form of capital and, on the other hand, the necessity for capitals to find concrete modalities of social insertion in space and time, which allow their valorization.

Two phenomenon such as the financialization of a range of social functions (housing, pensions,
education..) and growing financial international imbalances are examples of this kind of destabilizing tension. The dynamics of asymmetrical relationships within GCC also produce geographical shifts in accumulation loci, which affect core countries of the world economy. On the one hand, offshoring is intimately linked to financialization as it is one lever to satisfy the requirements of impatient finance. It nurtures processes of deindustrialization and weakens wage-earners’ skills. These processes entail growing inequality and destabilize some territories. On the other hand, the rise of global buyers promotes a process of centralization of the profits generated along the chains (for example in the global retail industry cf Baud and Durand, forthcoming). The rise of distributional margins for labour intensive products is an indication of this process of centralization at the macro level. This trend pushes us to discuss the role of commercial capital in accumulation and, more broadly, the consequences of the rising weight of services which partly result from the offshoring of manufacturing activities. Finally, upgrading dynamics lead to shifts in bargaining power positions in GCC with the emergence of big transnational subcontractors in electronics and textile/apparel industries (Appelbaum, 2008). The contraction of trade in 2009 is one of the explaining factors for the consolidation of some global chains, though this process has in some cases started as early as the late nineties (Milberg and Winkler, 2010b). Clearly, this evolution participates in upgrading processes undergone. However, it could also point to one of the limits of globalization: the great moderation of labor and inputs costs (Rogoff, 2004) which has to some extent fostered capital accumulation in developed economies should be reversed.

This global shift of capitalism is concomitant with the persistence of path-dependent national trajectories of capitalism in the developing world. This dimension is important in order to discuss the VoC paradigm (Dore, 2000; Hall and Soskice, 2001; Amable, 2005; Tylecote and Visintin, 2008). Indeed, this framework underlines the distinction between countries depending on the prevalence of some coordination forms or some configuration of main institutional forms. However, while moving towards the developing world, others factors of distinction appear to be relevant as well. That is suggested by research on central and eastern European countries (Drahokoupił,
2009; Bohle, 2006; Noelke and Vliegenthart, 2009) and on South Africa (Fine and Rustomjee, 1996). The issue of the diversity of capitalism in the developing world is still a very under-explored field of investigation. In particular, neo-ricardian and neo-listian regimes should be distinguished (Jessop and Sum, 2006, pp. 168-172) and this distinction could lead to the categorization of various accumulation regimes dominated by rent, liberal or industrialist logics. The issue of the international division of labour should be given specific emphasis – in complement with macro-institutional factors - in the analysis of the diversity of accumulation regimes in developing countries.

Such a work should be articulated to an analysis of the diversity of socioeconomic trajectories. Indeed, from the point of view of development studies, accumulation dynamics which are related to the participation in GCC are not directly understandable. If one searches for the one best way, there is a huge risk that the role of international interdependencies in the construction of such trajectories is to be neglected. Indeed, fallacy of composition issues should constitute an obstacle for the chances of success of latecomers export-oriented industrializing countries (Razmi and Blecker, 2008) as pointed out by the degradation of terms of trade of manufacturing products during the recent decades (Milberg and Winckler, 2010b). Furthermore, it's necessary to historicize these trajectories, for example by showing the co-evolution between, on the one hand, the rise of Newly Industrialized Countries and, then, of China and, on the other hand, the constitution of mass consumption retail networks in developed economies (Hamilton and Gereffi, 2010). These limits appear in the research which points out the lack systematic links between trade openness and economic growth (Rodrick et al., 2004). Finally, how economic and social upgradings are related is still a very much understudied issue in spite of their possible disconnection, as in the highly illustrative trajectory of Mexico. (Milberg and Winckler, 2010b).

To put it in a nutshell, this research program proposes to use GCC analysis in order to study the transformation of globalization in the aftermath of the crisis. More precisely, this focus should help us to better understand the factors of co-evolution of diverse accumulation regimes, the variety of
socioeconomic trajectories and the polarizing dynamics between and within countries.

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