Book Review

Value Chains: The New Economic Imperialism, by Intan Suwandi

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In *Value Chains: The New Economic Imperialism*, Intan Suwandi exposes market-based economic development strategies as core-centered efforts to maintain monopoly power, derived from the legacy of colonialism. Suwandi, Assistant Professor of Sociology at Illinois State University and frequent contributor to the *Monthly Review*, makes the case that imperialism remains a relevant concept and that global supply chains are the contemporary site of expropriation from the periphery (roughly, Global South) to the core (roughly, Global North). Suwandi introduces a labor-value commodity chain approach which improves upon "the weaknesses of the GCC/GVC [1] frameworks and the world-systems approach" (Suwandi 2019 27), by bringing together the organizational strengths of GCC/GVC analysis and the global capital-labor analysis of World Systems analysis.

In a brisk 172 pages, Suwandi piles on the evidence that power is an important element in describing behaviors of firms and persistent global inequalities. Chapter 1 provides the background for the text via a history of sociology of globalized production processes and seeds her argument with an explanation for her decision to focus on unit labor costs as a proxy for rate of exploitation. In Chapter 2, summary statistics from the World Input-Output Database (WIOD) indicate how the unit labor costs, as well as wage data, can predict the direction of value capture, indicating why analysis that suggests integration into value chains is a reliable pathway to development are, at best, wrong. Chapter 3 is a sociological dive into "systemic rationalization and flexible production,"[2] with a historical account of the development of these terms and practices, as well as description of how they are incorporated into the factory today. Chapter 4 is the case study, providing evidence that the labor dynamics described in theory in the previous 3 chapters are also relevant in practice. Chapter 5 adds a historical analysis indicating that the distinction between high- and low-income countries is not incidental. Inequalities persist where value is sustainably captured and value capture is sustainable where imperialism has left its mark.

[1] Global Commodity Chain/Global Value Chain analysis
[2] see also: Taylorism, Fordism, German Industrial sociology, "lean and mean"

Returning to the background, Suwandi uses unit labor costs because they tell us how much of the exchange-value produced remains with the laborer or the product of labor that the capitalist was unable to appropriate. Hence, the lower the unit labor cost, the higher the exploitation. Additionally, any gains in efficiency made by supplying firms in the Global South are immediately captured by buying firms in the Global North. In this way, she is able to claim that the rallying cry of efficiency gains for increased decentralization is geared towards the aim of capital accumulation in the core rather than efficiency itself.

The decentralization of the labor process – initially on the shop floor and, later, across nations – does not lead to more equal market exchange. This finding contradicts a conception of monopoly power that arises due to centralization of market forces. Instead, Suwandi follows the Baran and Sweezy definition of monopoly power as the ability to manipulate their own profit rates. Using Taylorist production, big multinational buyers accomplish just that vis-à-vis their Indonesian suppliers by way of decentralization. Tactics include just-in-time production, offshoring waste costs, and an open-cost system whereby buyers have access to their suppliers' cost structure and dictate to them what their profit rate shall be.

Asymmetric information pervades the relationship between periphery suppliers and core buyers. Big multinationals perform most of the R&D as suppliers have insufficient funds to engage in large research projects. As a result, multinationals maintain the patents. Suppliers can only purchase machines, not designs, and do not always have the capital to do that. Likewise, within the firm, laborers are trained sufficiently to notice if there is an error but not well enough to address it themselves. In both cases, withholding information serves to maintain an easily replaceable workforce whether by changing supplying firm or turning over the labor force itself. The case studies of two firms provide real world examples of the processes described above. The two firms, with the pseudonyms "Java Film" and "Star Inc.," produce packaging plastic and customized printed plastic, respectively. Both firms are considered high-end producers with high-class customers in this capital-intensive industry. "High end" indicates that they produce, "specialized products, like plain plastic film that serves as material for cigarette packages or food products. . . . or laminating material for magazine covers or smart phone boxes" (Suwandi 2019 104). While interviewees frequently mention the importance of "innovation" in maintaining their position, the primary bargaining chip among these supplying firms is reducing unit labor costs.

Their "high-class" customers are "(1) big local conglomerates who are leaders in their markets, and (2) multinational companies" (Suwandi 2019 117). Unlike local conglomerates, multinationals (located in "the triad," U.S., Western Europe, and Japan) tend to insist on irregular, unpredictable timelines. Additionally, due to the open-cost system, any reduction in costs for Java Film or Star Inc. is immediately captured by their buyers as they demand an equal reduction in price. Multinationals can also look at the cost structure at other firms, even in other nations, and demand that suppliers meet costs.

Cooperation with big multinationals also has associated costs. Waste is generated every time suppliers have to stop production for a just-in-time order, reprogramming all machines and loading new material. Suppliers are expected to swallow those costs. Similarly, following recent labor gains in Indonesia, executives have had to figure out how to generate efficiency gains as buyers were unwilling to take on any part of the cost. Multinationals can also make a large order and, once printed, demand it is shipped in small portions over several days, requiring the firm to foot the storage costs for the remainder. Despite these difficulties, executives at Java Film and Star Inc. see good relationships with big multinationals as crucial since the association improves their ability to get access to orders at home and abroad, indicating the hegemonic positioning of the buying firms.

While reducing the number of competitors is mentioned throughout the book as a favorable strategy, "monopoly power" is not seen as resulting from a small number of or no competitors. As noted above, price-setting is an ability of the core that arises due to the legacy of colonialism, now perpetuated through ingrained imperialist systems. This distinction in the origin of monopoly power is crucial. The belief that monopoly power is an aberration that can be addressed via antitrust laws and equitable growth sits at the foundation of the GCC/GVC literature which endlessly comes to the conclusion that if only business relationships can be improved, low income nations will be able to upgrade themselves to economic dominance. If, instead, we understand monopoly power as arising from centuries of theft and slavery reinforced by the creation of laws specifically designed to appropriate resources into the stewardship of "the triad," then it is clear that better communication will not disrupt the core's monopoly on decision making.

Encouragement of firms in low income nations to join and ascend within global value chains is, wittingly or not, another in a long line of efforts to maintain the drain from the periphery to the core. For the non-believer, Suwandi offers a historical recap of efforts to that end, describing the progression from colonialism to the current imperialist system. As Suwandi so clearly puts it, strategies of international financial institutions, "often emphasize that countries in the Global South have to maintain their 'competitiveness,' a word that is really a euphemism for 'exploitable' " (Suwandi 2019 166). It is a tough pill to swallow. It suggests that market forces are strongly limited and perhaps inherently incapable of addressing poverty. Efficiency, as well demonstrated, is unlikely to be our path out of inequality. To discover what is, we will have to be more creative, an attribute not generally fostered amongst economists. Fortunately, Suwandi envisions another set of leaders toward a more just economy: "Although labor has been largely confined while capital runs free, solidarity and resistance know no borders" (Suwandi 2019 172).