Primera parte

Senderos analíticos

Capitalist Development, Labor and the Rural Poor: The Politics of Non-Resistance

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The forces presumed to be operating on rural society in the 1960s and 1970s, and impoverishing them in the process, were by numerous accounts bringing about the transformation of a society of small-scale agricultural producers or peasant farmers into a working class. As noted, this process was conceptualized in various ways. Marxist scholars theoretically constructed the process as 'primitive accumulation' (the separation of the direct producer from the land and other means of production) a working class). Non-Marxist scholars, however, operating with a theory of capitalist modernization, analyzed the same dynamics with a different language but even so not altogether differently, by reference to a process that would see the disappearance of the peasantry as an economic agent, or as a category of economic or political analysis.

In the 1970s this view of structural change, shared by both Marxists and non-Marxists in a structural form of analysis, gave way to a heated debate between 'proletarianists', adherents of Marx's thesis of the 'multiplication of the proletariat', and 'peasantists' who argued that the forces of change were by no means immutable and that resistance by the peasants could even defuse or derail these forces, allowing the peasants to survive and sustain their rural livelihoods.[1] After a hiatus of some years, essentially a decade and a half of neoliberal reform, this debate was renewed in the study of a 'new rurality' as well as the dynamic forces of resistance against the neoliberal agenda mounted by the landless workers, the indigenous communities and peasant or small producer organizations in the 1990s (Kay, 2008).

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[1] On the recent debates and associated studies of the impact of neoliberalism on the peasant economy and society, see Otero (1999).

Although, by several accounts this wave of active resistance has subsided the debate continues, some arguing the trend towards the inevitable disappearance of the peasantry, others the contrary.

Agriculture for development: A pathway out of rural poverty?

A recent formulation of development as capitalist modernization and the elimination of the peasantry is provided by the economists at the World Bank in its 2008 *World Development Report* (hereinafter WDR-08). It focused on 'agriculture for development' and diverse 'pathways out of (rural) poverty'. As the economists at the Bank conceive of it 'development' is a protracted but incessant process of *structural* change. At issue (in the Bank's structural analysis) is a process of productive and social transformation (*modernization*, *capitalist development*–and *urbanization*, rather than *industrialization* as in the earlier formulations of this modernization theory), which provides a way out of poverty.

In this view, the agency and politics of capitalist development is entirely abstracted from analysis. The destruction in the 1960s and 1970s, in Mexico and elsewhere, of the forces of production in both industry and agriculture, leading to a massive exodus from the countryside and the impoverishment of many that remained, appeared to be the result of 'structural' forces beyond human control rather than the actions and agency of capital in the search of profit.

Similarly, in the 1990s the unconditional opening of the Mexican economy required by NAFTA served not only to consolidate neoliberalism–and increase popular discontent with the structural adjustment measures–but the resulting bankruptcy of the countryside and the exodus of millions of *campesinos* and unemployed Mexicans to the US, as analyzed so eloquently by Armando Bartra (2005), revealed NAFTA's 'heads I win, tails you lose' deal: 'export bankrupted farmers and import agricultural products'. Even more seriously the dispossession of small producers led to the massive growth of recruits for the lucrative illicit drug trafficking business, eventually penetrating the entire state apparatus. The 'lumpenization' process was one route out of poverty that the World Bank failed to anticipate, although its consequences ravage Mexican society. Moreover the issue of the transition from lumpen to lumpen as of yet has barely entered into the debates on agrarian transformation.

As the WDR-08 has it–by abstracting from its analysis all issues of agency and politics, presenting capitalist development as a process advanced by structural forces–there are fundamentally only three pathways out of poverty, requiring each individual or family to adjust (and not resist) the forces of change operating on the rural poor. These pathways are: *farming, labor and migration*.

As for farming or agricultural activity it evidently provides a pathway out of poverty for very few in that it requires the transformation of the small-scale 'peasant' producer into a capitalist entrepreneur in order to access credit, markets and technology, and to mobilize the available productive resources. The driving force behind this transformation is capitalist development of agriculture, which entails both a concentration of landholding and a technological conversion of production based on a significant increase in the rate of productive investment (in modernizing or upgrading production technology).

The pressures on farming to increase the productivity of agricultural labor via technological upgrading or modernization (increasing the capital intensity of production) are immense. However, agricultural activity under these conditions is clearly not an option for the vast majority of peasants, who are encouraged when not compelled to abandon the farm and for many also the countryside to migrate in the search for better opportunities for self advancement or productive economic activity.

Thus there are essentially two remaining pathways out of poverty, according to the economists behind the Report. One is labor–to work off farm or in the cities for wages–a strategy that by many accounts large numbers of the rural poor have and are continuing to pursue, if the statistics on rural household incomes are any indication (over 50 per cent acquire more half of their income from non-farming activities, i.e. off-farm wage labor).

The other pathway out of poverty is migration, a route or exit-path that by numerous accounts many of the rural poor have opted for by migrating either to the urban centers or cities, or further abroad. In Bolivia, it is estimated, that at least 40 per cent of the population now lives outside the country. And ditto Mexico. It is estimated that in the wake of the 1995 crisis over five million Mexicans migrated. The theory behind this 'development' (migration as a pathway out of poverty) is that the countryside is a massive reservoir of surplus labor, and that the opportunity for wage-remunerated labor in the cities would attract and pull the displaced rural proletariat into the cities, absorbing them into the labor force of a expanding capitalist nucleus of urban-based industry.

The theory behind this development took various forms but constructed as a model by Arthur Lewis. However, research into the dynamics of this rural-to-urban migration suggests, and later studies have confirmed, that the outcome of the forces of change did not conform to this theory. For one thing, in the 1980s the nucleus of capitalist industry did not expand, generating an enormous supply of migrant labor surplus to the absorptive capacity of the urban labor market, and leading instead to the growth of a burgeoning informal sector of unregulated or unstructured economic activity–not, as projected, work for wages in industrial plants, factories, mines and offices, but labor in the form of self-employed work in the streets: micro-enterprises in the view of Hernando de Soto (1989).

It was estimated that in the 1980s and into the 1990s anywhere from 80 to 90 per cent of new jobs and employment 'opportunities' in the growing urban economies in the region were generated in the 'informal sector', which in many countries absorbed and accounted for at least 40 per cent of the urban economically active population. As Mike Davis (2006) documented, and analyzed on the basis of a Marxist theory of surplus labor, this new urban proletariat is associated with the growth of a 'planet of slums' in the peri-urban areas, with a floating surplus population with one foot in the urban economy and the other in the rural communities.

The notion that labor and migration constitute effective pathways out of rural poverty is based on the belief, deeply embedded in the modernization theory that dominated analysis and policy in the 1950s and the 1970s, and evidently shared by World Bank economists even today, that:

– The dominant form of agricultural production, the small-scale agricultural producer or peasant farmer, is economically backward, marginal and unproductive;
– The peasant economy of small-scale localized production is a drag on development;
– Capital invested in urban-based industry has a considerably greater return, with much greater multiplier-effects on production and employment, than a comparable investment in agriculture;
– Development requires, and is predicated on, a modernization process of structural transformation–of agriculture into industry and the peasantry into a working class;
– Rural society and agriculture in this process serve development as a reservoir of labor surplus to the requirements of capitalist development and modernization;

– Farming opportunities for the rural poor, most of whom are engaged in relatively unproductive economic activities and are either landless or near landless, are scarce and restricted because either the limits of land reform have been reached or because of the requirements of capitalist modernization (large or increased-scale production, capital-intensive technology, external inputs, access to markets, etcetera);
– Many of the rural poor who retain some access to land are compelled to turn towards wage labor as a source of livelihood and household income; and
– Because of the economic and social structure of agricultural production there are simply too many people in rural society chasing too few opportunities for productive economic activity. Thus farming provides few 'opportunities' for the rural poor to change and improve their situation–to escape or alleviate their poverty.

The combination of these ideas led many economists and sociologists–including, as it turns out, the authors and consultants behind and associated with of the WDR-08–to view the peasantry by and large as an anachronism, seeking desperately, and futilely, to defend a way of life, and an economy, that is inherently not viable, entrenching them in a poverty trap. The best if not precisely the only pathway out of this dilemma is to abandon farming and migrate in the search of wage-labor employment opportunities and inclusion in government services, also more accessible in the cities and urban centers. However, not a single World Bank study has identified and explored the actual path taken by many unemployed rural youths out of poverty, namely joining the fast growing lumpen gangs engaged in the well-paying drug trade.

The structural and policy dynamics of labor reform

The World Bank, the OECD and other international organizations, policymakers and academics in numerous reports have addressed a perceived need for labor to adjust to the requirements of the new economic order–to become more flexible.[2] The rationale for this policy agenda is that labor

[2] See, for example, PREALC (1990), OECD (1994) and the World Bank (1993, 1995), the major object in this essay. The term "labor market flexibility" has taken on a variety of meanings over time, prompting US Labor Secretary Robert Reich to remark at an ILO-sponsored meeting on June 10, 1994 that 'rarely in international discourse has the {term} gone so directly from obscurity to meaninglessness without any intervening period of coherence' (quoted by Brodsky, 1994). What it means for the World Bank, however, as an overlooked precondition for successful structural reform is fairly clear: 'A dynamic and flexible labor market is an important part of market-oriented policies. It helps reallocate resources and allows the economy to respond rapi-

either adjusts to these requirements or it will confront a worsening of the problems that afflict workers–unemployment, economic insecurity, bad jobs and low income. In this context these and many other organizations have taken up the banner of labor and labor-market reform–of a mandated or legislated restructuring of 'industrial relations' and associated labor markets, the organizations of labor (regime of labor regulation) in production.

This entire process of labor reform, we argue, together with the ideological battle of convincing labor to go along with and adjust to it (on this see the World Bank's 1995 *World Development Report*) is part of an offensive waged by capital against labor, based on an agenda that reflects the interests of capital, and thus to be opposed and resisted at all costs.

Latin American labor in a global context

According to the World Bank, about 99 per cent of the workers projected to join the world's labor market over the next 30 years will live and work in what it terms the 'low- and middle-income' countries of Africa, Asia, the Caribbean and Latin America (the latter currently constituting about 8.4 per cent of the world's Economically Active Population; 6.1 of production; and 3.9 per cent of exports and 3.2 per cent of imports, down from 12 and 10.1 per cent in 1950).[3]

The Bank claims that the shift towards globalization is irresistible but there is no discernible trend towards convergence–towards equality in the form and conditions of such integration among countries, or between the relatively small number of relatively well-off workers and the much larger number of poor workers across the world. Indeed, the Bank argues, there are serious 'risks that the workers in {the} poorer countries will fall further behind', and that some national groups of workers, especially in sub-Saharan Africa but also in Latin America, could be marginalized in a global process of 'the general prosperity in countries that are enjoying growth' (World Bank, 1995a: 6).

The only preventative remedy–and means of participating in the projected global dynamic of rising incomes, better working conditions and enhanced job security–is for all countries to systematically pursue the sound policies that promote labor-demanding economic growth. Such policies, the

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dly to new challenges from increased competition. Moreover, freeing the labor market of distortions improves the distribution of income because it encourages employment expansion and wage increases in the poorest segments of society' (World Bank, 1993: 92).

[3] UNCTAD (1992), cited in Sagasti and Árevalo (1992: 1105).

Bank notes, involves 'the use of markets to create opportunities', and include legislation designed to create more flexible forms of labor and labor markets.

Flexibility on the part of workers means greater mobility–the capacity to relocate or migrate if necessary–and a willingness to accept whatever jobs are on offer, with possibly lower levels of remuneration; and, on the part of employers, increased capacity to participate in the production process, able to hire, fire, locate, and use workers as required at the point of production, and to pay them on the basis of market conditions.

With explicit reference to this idea–of a labor market in which the forces of supply and demand can and do reach equilibrium, providing an optimum allocation of resources (returns to factors of production)–World Bank officials in the 1990s stalked the corridors of political power in the search for policy-makers with the political will, and the institutional capacity, to introduce a program of legislative (and, if necessary, constitutional) labor reforms. Associated with this agenda was the notion that in general wages were too high, the result of government interference in the labor market (particularly in the legislation of minimum wages) and the excessive power of the unions. As the Bank saw it–and argued with as much technical support and data it could muster–high wage rates, the excessive benefits accorded workers in the social programs introduced by earlier populist governments, and the inflexibility of workers, led private sector 'entrepreneurs' to withdraw from the production process, contributing towards the problems of high unemployment, in formalization and poverty.

How did Latin American policy-makers and governments respond to this pressure? First, governments implemented a neoliberal program of 'structural reforms' that created the preconditions and an institutional framework for the proposed new labor policy, the material conditions of which were formed on the basis of an on-going process of technological conversion and productive transformation. The governments that had not done so in the 1980s all came around in the 1990s in a third round of neoliberal reforms.

With reference to these 'reforms', the entrepreneurs and employers of labor joined the financiers–and the World Bank–in demanding further labor reforms, and where required (as in Brazil), the constitutional amendments required to allow and secure greater flexibility of labor markets.

In some cases, as in Mexico and El Salvador, the new labor regime was established within the export enclave of an expanding *maquilladora* industry. In other cases, as in Chile, the new labor regime was introduced in a process

of industrial conversion and productive transformation.[4] In each case, the process of structural adjustment and productive transformation was accompanied by a political struggle to introduce via legislative reform, executive decree or administrative fiat, a more flexible form of production and corresponding labor regime. At the time of this writing, the electrical workers of Mexico (*Sindicato de Trabajadores Electricistas*), one of the most powerful and militant Mexican unions in the struggle against neoliberalism is engaged in a seemingly losing battle with the neoliberal PAN regime of Felipe Calderón. Over 40,000 workers were fired and despite strikes, marches and other peaceful protests the government prevailed, setting the stage for another sell-out of public utilities to private investors.

Labor market reform: Towards a new regime of accumulation

The basic idea advanced in the World Bank's 1995 *World Development Report*, widely diffused in various publications and numerous conferences staged and sponsored by the Bank and its sister institutions, and underlying the plans for economic and social development introduced in country after country as of around 1989, is that the solution to the region's problems, particularly that of unemployment, requires a new and more flexible mode of organizing production, as well as legislative (and perhaps constitutional) reform leading to an increased flexibility of labor.

In Latin America as elsewhere, the Bank argues, government regulation of labor was designed primarily as an instrument of social policy, above all to secure and protect the right to full employment, adequate and minimum wages, and secure tenure. In practice, such legislation, particularly as relates to minimum wages, rather than serving as it should, as a means of achieving an efficient allocation of resources, has produced a most inefficient and inflexible labor market in which the demand for labor has not been able to keep up with its supply, resulting in, among other things, an unmanageable and costly problem (in economic and social–as well as political–terms) of high unemployment and the increasing informalization of work arrangements and conditions.[5]

[4] On the model case of Chile see Agacino and Gonzalo Rivas (1995), Geller (1993), Herrera (1995), Leiva (1996), and Leiva and Agacino (1994).

[5] The shift over the course of the 1980s in political conditions and climate relating to the labor question in Argentina is reflected well in a recent comment by the President of the Chamber of Deputies in the context of a heavy national debate and political struggle generated by the efforts of the government to legislate or decree a new labor code that extends the managers

The strategic response of the Bank to this problem reflects its concern that 'at the world level [as well as in the region] there exists a serious [problem] with unemployment and informality'–that governments need to reform their labor codes to ensure a greater flexibility of labor (and thereby the reduction of labor costs in production and the generation of more and better employment).[6] The problem, as the Bank saw and sees it, was and is twofold. On the one hand, minimum wage legislation distorted the proper functioning of the labor market, leading to the withdrawal of capital from the production process, and thus unemployment as well as informalization. On the other hand, it was necessary to reduce or suppress the monopolistic bargaining power acquired by labor through its sector-wide 'representative unions' so that entrepreneurs and workers could arrive at and arrange independent agreements in accord with market conditions and requirements.[7] And one of the key requirements, the Bank made clear, was that the lowering of excessive wages in the productive and public sectors of the economy, and of the associated benefits legislated by government, which inhibits the participation of capital in the production process.

The effective response to these requirements, and the solution to the underlying and associated problems was labor market reform, to make labor more flexible. Such reform was placed on the political agenda of most countries in the region at the turn into the 1990s, in a third cycle of neoliberal policies. Labor reform was added to a policy of technological conversion / productive transformation, a new social policy designed by the World Bank

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rights instituted in Law 20,744 (Labor Contracts and the National Law of Employment) and undermines further the advances made by labor over the years and that establishes the right of employers and managers to hire, fire, extend hours of work, and relocate workers in the production process without penalty.

[6] Specifically, the Bank argues that minimum-wage legislation distorts factor allocation and punishes informal sector workers, high unemployment benefits reduce work incentives, job protection provisions and the high costs of dismissal make restructuring difficult and slow, and high non-wage costs and payroll taxes act as a disincentive for entrepreneurs to expand employment and increase the international competitiveness of local firms. The Bank expands on these points in its annual *World Development Report* on *'Workers in an Integrating World'* (1995b). However, its discourse is highly ideological, presented in the form of a manifesto, peppered with crude assertions and highly constructed and dubious data. On this see Veltmeyer (1997).

[7] In this connection, the economists of the World Bank depart from the neoclassical vision of the worker, seen not as the member of a class, acting in solidarity, and making gains on the basis of a long struggle with capital, but as an individual economic agent, capacitated as a social actor in the market, seeking and able to take advantage of the opportunities it provides. To this end, converting workers into self-seeking individual economic agents, the Bank has advocated reforms designed to strip the power of union over its members, its capacity to negotiate collective agreements on a sectoral or industry basis, mandatory dues check-off, etcetera.

to soften the blow of 'structural reform' on the poor,[8] the decentralization of government (to create a more participatory form of community-based development),[9] and the modernization of the state apparatus (to create a more efficient and democratic system of public service and administration).[10]

The capital-labor relation in the production process

The most distinctive feature of the World Bank economists' view of the labor reform process and of the policy measures needed to bring it about is the lack of any theoretical justification, a total inability to explain the apparent 'structural' forces at play–forces generated by the very policies advocated by the Bank; their apparent political innocence in pressing these policies on government officials, posing as agents of national development. We elaborate on this point below, but it is evident that the Bank's labor reform policies, like the other policies in the neoliberal package, is designed to advance a process of capital accumulation, not national development. Indeed, it is evident that these policies are designed to advance and accelerate the destruction of the forces of national production in the region, to separate the direct producers from their means of social production and proletarianize them, to generate a reservoir of surplus labor. That this process seems to have stalled in the creation of a large semi-proletariat–neither, or both, a working class and a land-connected peasantry–is not (as the World Bank economists imagine or prefer to think) due to the failure of governments in the region to proceed systematically with a policy of labor reform. It has to do, rather, with changes in the relation of labor to capital induced by these reforms under available conditions of capital accumulation.

[8] The literature on this redesigned model of the SAP and the associated agenda is voluminous. Inter alia see CEPAL (1992a, 1992b); IDB (1993); Lerner (1996) and Veltmeyer (1996).

[9] This implementation of this agenda has also resulted in a huge and growing literature. Inter alia see Barros Horcasitas *et. al.* (1991), Boisier *et. al.* (1992) and Cook *et. al.* (1996).

[10] The importance and priority given to 1) the New Social Policy, designed to make the SAP more palatable and to defuse a mounting and destabilizing level of social discontent, and 2) the modernization of the state apparatus, is reflected in the distribution of funds by the IDB, the key financial institution charged with the responsibility of implementing the SAP within the region. In 1996 40 per cent of the Bank's portfolio was directed into social investment and program funds, 36 per cent was directed towards the region-wide government decentralization process and the associated modernization of the state apparatus, another 16 per cent went towards infrastructure support projects, and only 8 per cent went towards agriculture and other productive sectors of the economy. This characteristic low priority given to production enhancement projects, also shared by public investments in the region, also reflects the widely shared ideological orientation towards the neoliberal doctrine on the private sector as the motor of the development process.

The change in the relation of capital to labor wrought by the reform process (neoliberal policies) can be traced out on both the structural and political level. In structural terms, the change relates to: 1) the organization of labor within a process of technological conversion and what ECLAC (1990) terms 'productive transformation'; 2) the contribution of labor to production as measured by its productivity; 3) the rate of exploitation (extraction of surplus value) as measured by the share of profit and wages in national income and value added; and 4) the evolution of real wages relative to growth in the GNP.

In regard to productive transformation, regulated by the rate of investment and the pace of technological conversion, significant advances have been made in key production sectors and industries in a number of countries, particularly Argentina, Brazil, Chile, Colombia and Mexico CEPAL, 1990; Boom and Mercado, 1990; Morales, 1992; and UNIDO, 1992.

The pace of advance in this transformation has been both conditioned, and limited, by the generally low levels of productive investment, which generally reflect relations of 'dependency'–the dependency of countries in the region on foreign capital. Chile is the only country in the region that has had what would appear to be an adequate level of productive investment comparable to levels found in the expanding economies of East and Southeast Asia. Table 1 indicates this for some countries in the region over the first two decades of capitalist development under the neoliberal policy umbrella.

Table 1

LEVELS OF CAPITAL FORMATION–INVESTMENT AS A PER CENT OF GNP, 1980-2000, SELECTED COUNTRIES

	1980	*1990*	*2000*
Argentina	25.3	14.0	19.9
Brazil	23.3	21.9	24.5
Chile	16.6	23.3	29.3
Mexico	27.2	21.9	24.5
Bolivia	14.2	13.2	15.5
Latin America	*24.8*	*19.7*	*19.6*
Developing Countries	25.7	24.7	25.8
Least Developed Countries	17.3	16.1	15.5
East Asian NICs	34.4	31.3	32.1
South Korea	32.0	36.9	38.4
China	30.1	33.2	42.6

Source: UN (1996: 143, 156. 193, 196, 305); World Bank (1995, 1996).

Another critical factor in the regional process of productive transformation is the relative contribution of capital and labor and the impact of what in the modern theory of growth is termed 'total factor productivity'.[11]

It appears that the relative contributions to production of both capital and labor (the increase in output per units of capital and labor employed) has been and remains relatively low and less than the increase in 'total factor productivity'. Although this point needs more detailed and systematic analysis, we can postulate that the relative increase in productivity can be associated with a change in the organizations of production–increased flexibility, as well as the incorporation of the new information-rich technology and an increased orientation towards export markets, which has had the additional impact of a greater realization of the surplus value embodied in the social product.

The relative shares of capital and labor in social production

As for the social distribution of the national income between capital and labor, governments in the region generally have not established any specific policy, leaving it to the market, as it were. In the 1970s the government did in fact intervene to the point of taxing all forms of income and channeling the revenues into social and development programs in the public concern for 'equity'–a more equitable distribution of the social product ('growth with equity' in development parlance).

The operating theory behind this do-nothing approach, adopted in the 1980s in the context of a policy to deregulate markets and private economic activity ('capital', that is) is the same as used to justify the proposed policy of labor flexibility and the elimination of minimum-wage legislation: the free market is the most efficient mechanism for allocating resources on the basis of equitable returns to productive factors.[12]

[11] The OCDE, in its annual Economic Outlook (1996) defines 'total productivity' as the weighted average productivity gains of capital and labor. However, more generally the modern (neoclassical) theory of economic growth holds that total factor productivity can be measured in terms of the difference between the productivity increase of direct production factors (capital and labor) and total productivity increase (FUSADES, 1993). In this context, total factor productivity relates to factors other than capital and labor such as the change in the organizations of production (increased flexibility) associated with what has been termed 'post-fordism' by French Regulationists.

[12] This neoclassical theory (see ECA, 1995: 564 and 940) basically holds that under free market competitive conditions each factor of production receive in return for its contribution to production a commensurate return. In other words, the invisible hand of the market–according to Michel Camdessus, one of three pillars of IMF economic policy, the other two being 1) the visible hand of the state and 2) 'solidarity between the poor and the rich'–has to be left alone… to assure an optimum, and equitable, distribution of the social product.

In these terms the World Bank pushed for the elimination of minimum-wage legislation as an obstacle to the proper functioning of the labor market and indirectly to an efficient and equitable distribution of the social product (national income) or the economic surplus. On the same basis, the World Bank designed a Plan for Economic and Social Development, subsequently adopted by virtually every country in the region, that did not include an explicit wages policy, it being understood that the advocated liberalization of prices, together with the proposed labor market reforms, by itself would lead to an optimum level of wages and employment; and that, therefore, any minimum wages, like that of wages in general, should be negotiated directly by the parties involved under market conditions. Thus the Bank put into motion its proposal to abolish minimum wage legislation, supported with the argument (or assertion, rather) that such legislation causes unemployment and interferes with the working of the market forces of supply and demand.

Another proposition of the theory underlying the Bank's plans for national development is that when liberalized (freed from government interference), the labor market would automatically regulate the level of wages according to the marginal productivity of labor, at which point the supply of labor would equal the demand for it.[13] So what has been the dynamic of this relationship between wages and the marginal productivity of labor?

As for the 'research' reported on by the Bank at its Second Annual Conference on Latin American and Caribbean Development in Bogota,[14] the experience of Chile, Colombia, and Peru with labor market reform has been demonstrably positive: a decrease in the official rate of open unemployment and an adjustment of wage levels towards the marginal productivity of labor. However, on the issue of the marginal productivity of labor there appears to be no basis in fact.[15] If the Bank were correct in its assertion one would expect to find a long-term empirical trend towards the growth of average pro-

[13] On this see Montesino and Gochiz (1995: 940). The problem with the theory is that despite the centrality of this variable (the marginal productivity of labor) there does not seem to be any systematic or even casual effort to determine or measure it in a specific context. On this point see Montesino and Gochiz (1995: 940) who point out that there exists neither an effective methodology nor any serious efforts to measure the marginal productivity of labor.

[14] See Montesino and Gochiz (1995: 945) who point out the similarities between the observations and recommendations arising from the Bogota Conference and the argument advanced by the ARENA government. More recently, the Menem government in Argentina has advanced the same argument in the context of its campaign to introduce a program of labor market flexibilization. This argument was clearly made on the basis of the secret World Bank Report leaked to the media in the context of this campaign and the political struggle unleashed by it.

[15] The idea of adjusting wages to productivity was, of course, a key element of the post-war labor-capital accord. But it was resurrected as a specific policy recommendation in the Latin-American context by the ILO (PREALC, 1990: 15) and CEPAL (1992a: 142).

ductivity at a rate below that of real wages, which, in turn, would tend to reduce the participation of capital in the production process.

Is there any evidence of such a trend? First, it is clear enough that real wages have generally declined over the course of the neoliberal era, a trend that can be traced out in every Latin American country since at least 1982. On average, real wages dropped from 15 to 25 per cent between 1985 and 1999, but in a number of cases they have dropped by as much as 50 to 86 per cent.[16] In the case of Argentina, Peru, and Venezuela real wages in 1999 had not yet recovered levels achieved in 1970, while in Mexico, according to the Bank of Mexico, they had lost 71.4 per cent of their 1976 value, reaching their lowest point in thirty years. Given this trend, coupled with a tendency for a decrease in the number of workers in the formal sector–reflecting the destruction of the forces of production in key industrial sectors brought about by the agency of US imperialism (but presented as the inevitable result of the productive transformation process)[17]–it is difficult to imagine that the rate of growth in labor productivity could have been negative as presumed (and argued without evidence) by the Bank.[18]

[16] The evolution of minimum wages has tracked the same pattern as average wages, although the tendency to fall has generally been even more pronounced. See, for example, the case of El Salvador traced out by Montesino and Gochiz (1995: 951). This fall in the purchasing power of wages reflects the effects of specific policies, as well as prevailing structural conditions, designed explicitly to compress wages as a mechanism of internal adjustment. The effects and social costs of this compression have been brutally severe, leading to a drastic reduction in consumption and standards of living, which is reflected in the fact that not even in 1996 had real per capita incomes in the region recovered their level achieved in 1980 and in some cases (Argentina, Peru, Venezuela) in 1970 (UN, 1996: 7).

[17] In the not atypical case of Mexico, the number of workers in manufacturing within the formal production sector of the economy in the 1980s (from 1981 to 1989) declined dramatically, 4.5 per cent a year on average, while production levels remained stagnant, with oscillations by industry, and productivity per worker increased by 5.1 per cent, presumably to some extent related to the decrease in the number of workers (Morales, 1992: 64). According to a series of Industrial Surveys conducted over the period the same pattern held for the other branches of industry as well. In the industrial sector in 1989 the number of workers had declined 13 per cent relative to 1981, while productivity rose 14.3 per cent (Morales, 1992: 71).

[18] Amsden and van der Hoeven (1994), based on data collected by UNIDO (1991, 1992), show that the growth rate of manufacturing output (taking manufacturing as a proxy for broader developments with respect to output and wage patterns) declined from an annually average rate of 6.6 per cent from 1965 to 1980 to 1.2 per cent in he 1980s, and that when value-added growth is considered–and the income associated with it, then the 1980s experienced a net decrease in output and income. Data assembled by FUSADES (1996) indicate that total productivity growth during the same period (the 1980s) was variable, reflecting in part the contribution of capital, but generally exceeded the growth of output. In the case of Mexico, an Industrial Survey showed that in 1988 the number of employed workers in the industrial sector was 87 per cent of the number in 1981, but that productivity had risen 14.3 per cent over the same period (Morales, 1992: 71).

Given the relatively low levels of participation of both capital and labor in the regional production process, this increase in productivity can be explained in terms of factors other than labor and capital, such as the greater flexibility of labor. At one level, the decline in real wages could reflect a reduced level of labor productivity associated with the destruction of productive capacity brought about by the cut in social programs and an investment in 'human capital' (the education and health of workers). Given the divergence over time between rates of productivity growth and wage rates,[19] it is evident that real wages, both on average and at minimum levels, are neither adjusted to or determined by the marginal productivity of labor.

More generally, the brutal compression of wages in the 1980s and 1990s can better be explained in terms of structurally- or politically-determined conditions of unemployment as well as, more directly, the repression of working class organizations and the weakening of their capacity to negotiate collective agreements with capital.[20] In any case, over the long term real wages have tended to evolve to levels well below the marginal productivity of labor, creating thereby an essential condition for a process of renewed capital accumulation: the extraction of surplus value from its direct producers, the working class.

In structural terms, the contribution of labor to a process of capital accumulation is reflected in the share of wages in the income derived from the social product–and in its share of the value added in the process. In each case, these ratios have tended to decrease over the course of neoliberal reforms, in some cases by as much as 50 per cent (CEPAL, various years). And,

[19] In the case of El Salvador, for example, from 1980 to 1986 productivity on average increased by 8.4 per cent while wages fell by 23.4 per cent (ECA 564, 1995: 957). Subsequently, the rate of growth in average productivity slowed down while real wages recovered somewhat, but in either case there was clearly no systematic correlation between the two (see the detailed sectoral analysis of the dynamics of productivity and wages by Montesino y Gochez, 1995: 945-962). In the case of Mexico, a study by Guerrero de Lizardi and Valle, 1995), showed that until around 1982 wage and productivity increases more or less were in tandem but that at that point they began to sharply diverge, wages falling drastically while average productivity tended to remain stable with a tendency for a gradual but persistent increase as of around 1987.

[20] There is evidence that the Chicago Boys of Chile purposefully maintained unemployment at twice the historic rate as a means to pressure and discipline workers, undercutting and reducing their demands for decent or fair wage increases (Sanfuentes, 1987). As for inflation, there is similar evidence of it being used as a mechanism for compressing wages and transferring income from labor to capital. On this issue the economic policies of the current Zedillo regime are revealing. Since he came into office on December 1994, the Basic Basket (*canasta básica*) has increased by some 170 per cent, while wages have been adjusted, allowed to increase, to a maximum of 71 per cent, a difference of more than 200 per cent. The disarticulation and repression of working class organizations have been well documented, albeit not analyzed in terms of a politically determined mechanism for compressing wages. For the case of El Salvador vis-à-vis the *maquilladoras* created in the mid-1980s see Arrida Palomares (1995) and the pioneering case of Chile see Leiva and Petras, with Veltmeyer (1994) and Leiva (1996).

by the same token, the share of capital in national income (and value added to production) increased correspondingly, anywhere from around 60 to 75 per cent, fueling a process of highly profitable investments even without any productivity gains.[21] However, the significant increase in the rate of exploitation (estimated by Montesino and Gochez to be in the order of 190 per cent in the case of El Salvador), and in the transfer of income from labor to capital, did not translate into a process of renewed and sustained capital accumulation.

Table 2

EMPLOYEE EARNINGS AS A PER CENT OF VALUE ADDED IN MANUFACTURING, SELECTED COUNTRIES

	1967	*1971*	*1975*	*1979*	*1983*	*1987*	*1989*	*1992*
Brazil	17.3	23.6	18.9	20.7	19.7	15.1	15.0	23
Chile	25.1	22.8	12.3	18.2	17.1	16.8	16.6	18
Mexico	44.0	42.7	39.1	34.7	23.8	19.8	19.8	22
Venezuela	30.1	30.0	27.3	28.5	31.6	26.8	24.2	19

Source: World Bank, *World Development Report*. Various years.

To explain this, it would seem that 1) the sharp compression of wages and reduction in the share of wages in national income has been used as a mechanism of internal adjustment,[22] but that 2) the extraordinarily high social costs of this adjustment, borne largely by workers, cannot even be justified in terms of the imperative of renewed accumulation and sustaining the process of national capitalist development. Productive investments in the region have been and remain at levels well below the level of surplus value extracted and the income transferred from labor.[23] Only in Chile has

[21] Not only has the level of capital formation in Latin America over the course of neoliberal policies been generally and comparatively low but a significant part of the surge in FDI flows into the region was invested unproductively in the purchase of lucrative but privatized state enterprises (Petras and Veltmeyer, 2002, 2007).

[22] This is particularly the case for Latin America, as we have argued elsewhere (Veltmeyer, 1996), but indications are the same applies elsewhere such as in the European Community where until the mid-1970s the share of capital in value added production in manufacturing, and the returns to capital invested in the sector had been declining, the 1980s turned these trends around.

[23] In the case of Mexico, for example, the rate of investment and capital formation in 1988 was only 41 per cent of that in 1981 (Morales, 1992: 69) and more recent studies (see, for example, Petras and Veltmeyer, 1995) show that despite a resurgence of direct foreign investment as of 1992, with Mexico receiving close to half of all FDI flows into the region, the general level of productive investment in Mexico and the rest of the region (Chile excepted) remains low.

a substantial part of the income transferred from labor been converted into capital, generating a comparatively high level of productive investment in physical and social capital.[24] In most other countries a substantial part of the economic surplus generated by, and extracted from, the workers and the direct producers has been dedicated to the servicing of the external debt,[25] unproductive or speculative 'investments', the purchase of the shares of privatized companies (accounting for up to 50 per cent of the new wave of FDI in the 1990s, and consumption of the wealth and income generated in the process).[26]

Exploitation in the production process

At issue in the World Bank's ideological approach to labor market reform in Latin America are the policies required to reduce the high levels of un- and under-employment in the region as well as the trend towards informalization and its associated conditions of low productivity and income. The evident tendency for an extension of these conditions, and a deepening of their social effects, underscores the seriousness of the issue–confronting the World Bank's conception of the problem and its remedy of labor market reform which, we have argued, is at best designed to address and solve quite a different problem (to create the conditions for a renewed and sustained process of capital accumulation). And, as we see it, the Bank's proposed remedy does not correctly identify the structural sources of the problem–of the problem as experienced by labor or as perceived by capital. Thus it might be useful to review some points of our analysis and to briefly identify the key dimensions of the problem as we see it, to contribute thereby towards a better understanding of it as well as a more appropriate political response.

[24] However, Leiva (1996), for one, discounts the effectiveness of this investment, emphasizing its many hidden and not so hidden costs such as the weakening and disarticulation of the labor movement, the disproportionate growth of precarious and poorly paid jobs, the dramatically increased rates of reliance on cheap female and child labor, the increase of job and economic insecurity, and an extension of inequality and poverty.

[25] In 11 of Latin America's 20 economies the size of the external debt, measured in terms of the GDP or the rate of debt service, exceeds the World Bank's 'crisis level' (over 50 per cent of export earnings). It remains a substantial drag on the development process, explaining in part the low level of productive investment characteristic of economies in the region.

[26] On the dynamics of this investment see inter alia Petras and Veltmeyer (1995). As for the high level of non-productive consumption, a problem that was identified as early as the 1960s by CEPAL economists, it is reflected in the huge gap between the income disposed of by the richest households and individuals and the rate of investment. On this point, INEGI, Mexico's national statistics institute, has calculated that the 23 per cent of the richest households in the country experienced an increase of 417 per cent in their income from 1984 to 1994, while the share in national income of 10.4 million families earning the equivalent of from one to five minimum wages, and constituting 53.4 per cent of all households, fell by 31 per cent.

The aim of the World Bank's approach to labor market reform in Latin America and elsewhere is to restructure the capital-labor relation in the production process. And it is well understood by the Bank and other agents and apologists of capitalism (as well as it is explained by Marx) that the essence of this capital-labor relation is the extraction of surplus value from its direct producer, the worker, in the form of the wage, which represents the value of the labor expended in the process.

The actual facts and nature of this *social relation* are well known, although it fell upon Marx over a hundred years ago to unveil its then hidden secret. As Marx noted and emphazised, the key to a sustainable process of capital accumulation is the extraction of relative surplus value on the basis of an exchange of equivalents (wages for labor-power), the value of which, as with every other commodity, is determined by the socially necessary labor-time needed to produce it. The production of relative surplus value, Marx argued, is the truly revolutionary path towards capitalist development, as opposed to the production of absolute surplus value–increasing the productivity of labor via technological conversion as opposed to the lengthening of the work-day, or reducing wages without a change in the technological and social conditions of production. The production and extraction of relative surplus is predicated on the substitution of capital for labor, the incorporation of new technologies that 1) will raise the organic composition of capital, 2) slough off surplus labor,[27] and 3) increase labor productivity.

[27] The tendency for the technological restructuring of production to slough off and reduce the demand for labor is well-known, having been documented and analyzed from diverse perspectives as of the onset of the industrial revolution of the 19th century. Now as then it is possible to identify two major intellectual and political responses to this process: *techno-optimism*, to believe that the reduced demand for labor in the restructured sectors will be compensated for by an increased demand for labor in newly expanding sectors–that these expanding industries will absorb the labor released or expelled from the restructured industries; and *techno-pessimism*, the response of those who do not share this belief. In the current context, techno- pessimists not believe in the existence of an automatic compensating mechanism between the loss and the generation of jobs, and find it difficult to convince the mass of unemployed workers that their jobs will be reconstructed some day, after a period of adjustment, benefiting their offspring if not themselves. In this context, the techno-pessimist Jeremy Rifkin, in *The End of Work* (Paidos, 1996), goes so far as to expand on the argument that entire populations and nations are condemned to resign themselves to live and suffer the conditions of un- and under-employment. As he constructs this scenario, the technological process of job-destruction, and the incapacity of the system to regenerate jobs in the dynamic sectors of the economy, viz. the 'jobless recovery', is leading to a definitive break with a historical cycle dating back to the industrial revolution. This is to say, there is no ground for optimism in the well-known history of technological restructuring of jobs destroyed in the process. Thus it is that Rifkin turns for hope towards what he calls the 'third sector', the civil society which has demonstrated a greater capacity than either the state or the market to generate new forms of employment. In this connection, Rifkin has made an intellectual and political virtue out of the necessity experienced by millions of workers who, as a matter of survival more than the creative energy and ingenuity which he points to, are

In this process of technological conversion and productive transformation, to use contemporary language, labor is exchanged for wages at its value, which, given that this value is determined by and reflects the latest technological advances, implies that it is has some connection to the resulting increases in productivity. In this process, the value of labor power is essentially a function of technology, although, as Marx emphasized, the rate of exploitation, conditioned as it is by the capacity of workers to participate in any productivity gains, by and large is shaped by the class struggle–the correlation of class forces.

In this context of developments in the region and that have unfolded world-wide as of the mid 1970s, it would seem that the balance of class forces has turned against labor, resulting in (among other things) in a reduced capacity of workers to participate in the productivity gains of new technology–to adjust wages to productivity.[28] Although this development is worldwide, the situation of workers in Latin America and elsewhere on the margins of the globalized capitalist economy is worse than at the center of the system in that the conditions of relative surplus value extraction, at the heart of the accumulation process, are often and generally combined with those of absolute surplus value[29] as well as of what has been conceptualized as 'super-ex-

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essentially self-generating jobs, an experience that is well-known in America where the so called 'popular economy' in the informal sector has generated, it has been estimated, over 90 per cent of all net jobs in the 1980s.

[28] The process of these developments has been well-documented and analyzed. It relates to what has been termed 'The Golden Age of Capitalism' or what the French have dubbed 'the thirty glorious years'–close to thirty years in the post-war context of continued and unparalleled annual growth worldwide of the social product (Glynn *et. al.*, 1990). One key element of the context for this growth was constituted by a labor-capital accord which provided conditions of social peace in exchange for a just share in any productivity gains and a guarantee of full employment, supported by labor-demanding spending policy of the State and the institution of a program of social welfare. In the late 1960s cracks began to appear in the foundation of this system with the onset of a 'profitability crunch' reflected in conditions of stagnant production rates, a crisis of overproduction, and rising unemployment. As it happened, labor launched what turned out to be its last great offensive, from 1968 to 1973, in its push for higher wages and improved benefits precisely at the point of this crisis in capitalist production, provoking a counter-offensive, launched by capital in 1974 and continuing today. Key elements of this counter-offensive included a direct attack on wages and the power of unions, the welfare state, as well as the agreement to link wages to productivity gains. The rest, as they say, is history–a long history that is by no means at an end. For brief glimpses into this history see inter alia Aglietta (1982), Arrighi (1990), Davis (1984) and Veltmeyer (1996).

[29] On this point, the extraction of absolute surplus value, a study by Arrida Palomares (1993: 78-80) on the labor process of the *maquilladores* in El Salvador's San Bartolo Free Trade Zone found an extensive and abuse use of over-time, leading in many case of workdays of 9-10 hours or 55-60 hours a week. The extensive and abusive reliance on over-time and extended work-days does not even bring up the growing patterns of double- and triple-job holding, extensive self-exploitation in the context of households and production units in the informal sector, and the dramatic growth of child and unreported female labor. For a statistical profile of these dimensions of absolute surplus value extraction see CEPAL (1995).

ploitation'–the reduction of wages below the value of labor-power.[30] The detritus of this process can be seen in the deterioration in the condition of the Latin American working class since the 1970s, as well as its reduced capacity to resist the incursions of capital and the forces of productive transformation generated by these incursions.

The conditions of this super-exploitation are complex and variable but the basic mechanisms involved are easy enough to identify: the formation and operation of what Marx regarded as an 'industrial reserve army', a large reservoir of surplus labor–surplus to the requirements of capital. The second mechanism is a highly developed system of state repression, which keeps the surplus labor discontent from spilling over and affecting the process of accumulation. The existence of such a reservoir of surplus labor can be identified at the global level–in, for example, the large mass of unemployed or migrating workers across the world, as well as the interstices of an emerging global labor market–but its most substantial and significant formation is found in the economies of Latin America and other countries and regions that are, as it were, 'in the process', or 'on the way' towards development. A characteristic feature of this process is the formation of what in the urban economies of these societies has been identified and defined as an 'informal sector' of street workers and micro-enterprises, and, in the countryside, in the formation of a class of landless or near-landless (proletarianized or semi-proletarianized) 'peasants'.

Although it applies equally well to the large and growing informal sector, the conditions of a surplus population have been documented and to some extent analyzed in the context of the region's 'peasant' economies of small producers. In this context, what has been emphasized has been the classic working of a surplus population as a lever of capital accumulation–allowing capitalist entrepreneurs to depress wages, and, in the process, to increase profits and maintain the competitiveness of their enterprises. However, several additional dimensions of this system have been identified for the subsistence and commercial operations of the small-scale producers linked to the peasant economy: as with the informal sector they provide wage goods at low prices, even below the cost of production, as well as a source of employment and additional income for family members. In this regard they provide a subsidy to the capitalist enterprises. Evidence of this can be found

[30] On this concept of 'super-exploitation' see Marini (1981) and Veltmeyer (1983). It is based in part on what Meilleseux (1978) in a very different context conceptualized as 'labor rents', extracted from migrant laborers on the basis of the assumption of the laborers' households outside the capitalist system of a part of the reproductive costs of the labor purchased by agro-capitalists on a seasonal base.

in the basic grain component of the food basket on the basis of which the Ministry of Planning and policy-makers generally estimate the minimum income requirements, and the incidence of poverty, within the urban population. What has been found is that the cost of basic grains over time tends to rise more slowly than the other components of the food basket (ECA, 1995: 560, 971).

Analysts also tend to agree that the small producers of these basic grains, the social base and a principal target of the Bank's–and the government's–ubiquitous anti-poverty programs under the post-Washington Consensus, often serve as a refuge (a source of employment) for an over-abundant surplus population. In this regard, the small-producer sector of Latin America's rural society, like the urban informal sector, serves as a reservoir of surplus labor, holding at bay the labor of the semi-proletarianized *temporeros,* the rural landless workers who are forced to migrate for wage-work on a seasonal basis in the agro-export industries that dominate the rural economies of so many Latin American societies.[31] In addition, in the border and northern and central states of Mexico such as Zacatecas, the small producer sector provides a source of cheap surplus labor for the low-wage service industries and the agricultural sector of the US economy. In both cases, the rural society of small producers assumes some of the reproductive costs of the labor subsumed directly or indirectly by the capitalist enterprises in the *maquilla* sector and in the industries that have been subject to the process technological conversion and productive transformation.[32] We view this as super-exploitation.

These developments and conditions can be found all across Latin America. Not only do they underlie the problems targeted by the 'development community' (un- and under-employment, marginalization and social exclusion and poverty). But they are connected to the identified problem of a relatively limited unsustainable process of capitalist development in the region.[33] The major problem in this regard is the failure of the capitalists and

[31] On this point see, inter alia, Veltmeyer (1983) and, with respect to Chile, which experienced a dramatic expansion of the *temporero* workforce in its privileged agro-export industries in the 1980s, Leiva, Petras and Veltmeyer (1994).

[32] With respect to the *maquilladores*, which in El Salvador and Mexico represent the most dynamic sectors of industrial growth, and in the case of Mexico accounting for 40 per cent of total exports, see inter alia the study by Delgado Wise and Cypher (2005).

[33] This problem is reflected in the general failure of economies in the region to recover let alone exceed the rates of growth (5.5-6.3 per cent) that it had sustained for several decades under the previous now discarded state-interventionist, inward-oriented and populist strategy. As is well known the entire 1980s was 'lost to development', averaging barely 1 per cent growth per annum (-0.9 per cent on a per capita basis), but each year into the 1990s, ten to 15 years

policy-makers in the region to convert the surplus value extracted from the workers (and the disproportionate share of national income which they have appropriated) into capital. The problem is that most profit-driven capitalists divert their earnings into overseas accounts, speculative investments, the stock market, real estate and rentier investments, conspicuous consumption, and unproductive mergers and acquisitions. When they do invest locally they focus on capital intensive technologically advance agro-mineral export activity that absorbs few workers but displaces many small producers. Another problem is that these capitalists also rely on a strategy of cheap labor for enterprises and entire industries oriented towards exports on the world market.[34] In this regard, the cost of labor in the production process in many cases has been lowered to a level of 20 per cent and lower–10 per cent in the case of Mexico.[35] Even so, capitalist enterprises in the region cannot compete with capitalist enterprises in China.

In terms of an export-growth strategy capital has little or no interest in maintaining the purchasing power of wages, and dynamizing the local and

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into the neoliberal era, and not withstanding the substantial recovery of foreign direct investment and inflow of capital since 1992, the expected or promised economic 'recovery' and 'activation' has failed to materialize. Once again, as in past years, an overall growth rate of around 3.0 per cent (3.1, barely or less than 1 per cent on a per capita basis) has been predicted for the following year, on the heels of an overall regional decline of 1 per cent in 1995 (5.6 per cent in the case of Mexico).

[34] On this point, Leiva and Agacino (1994) contend that during the 1990-1994 period in Chile, employers in the manufacturing sector resorted to flexible labor practices such as temporary employment, subcontracting, homework, fixed-term employment and the increased use of cheaper female labor, as means of increasing their control over the labor-force by cutting production costs and weakening the negotiating power of workers. These variations in a labor flexibility strategy are also reflected in another characteristic feature of the production and labor process in the region: the wage discrimination against women, who make up the bulk of the labor-force in the *maquilladores*, and who are on average paid at least 30 to 40 per cent less than men in jobs of the same value and position. In the not atypical case of El Salvador, women are paid 53 per cent less than men in industry and 47 per cent less in commerce (*ECA,* 1994: 551, 911). On this point vis-à-vis Chile also see Henriquez and Reca (1994).

[35] For example, in Mexico's manufacturing industry, the region's third largest, the total cost of labor in the production process has been reduced to 10 per cent, with wages representing only 2.8 per cent. On an hourly basis, minimum wages in the manufacturing sector are set at $1.23 in Mexico (*versus* $12.60 in the US, $20.80 in Japan, $11.93 in Canada, $8.85 in France, $6.10 in South Korea–and $2.75 in Chile. In the case of Mexico, this wage rate in real terms is lower than it was in 1965 and by no stretch of the imagination (or pocket-book) covers the cost of subsistence of the worker's family–and thus the reproduction of labor power. In this connection, it is estimated that a family of three to four, below the Mexican average in size, requires the equivalent to five minimum wages to pay for the *canasta básica*–the package of goods to meet its basic physical needs. According to the World Bank, 60 per cent of Mexican families are unable to provide adequately for their basic needs, and half of this number are deprived to a level that seriously affects their health not to speak of any social capital.

regional markets on which the process of capitalist development depends.[36] Nor does it have a particular interest in taking what Marx regarded as the revolutionary path towards capitalist development–productive investment and capital accumulation on the basis of relative surplus value.[37] In this context, the World Bank's proposed labor market reforms, even when designed to facilitate the process of technological conversion and productive transformation, is condemned to failure.

They will also not prevent either capital or labor, which will undoubtedly be forced to bear the social costs of adjustment, from being marginalized in the globalization process identified by the Bank: 'the general prosperity of countries that are enjoying growth'.

Capitalist state and para-state violence, and the decline of resistance and the labor movement

One of the striking features of the decline in the resistance to capitalist development over the past three decades is the extraordinary intensity of state violence against the labor movement. In the preceding phase of capitalist development organized labor was a major factor, if not the decisive force, in shaping state social policy. But the onset of neoliberalism was preceded and accompanied by unprecedented levels of capitalist state violence. Thirty thousand, mostly workers, movement leaders and militants, were murdered in Argentina, and hundreds of thousands were jailed, tortured, exiled, fired and blacklisted. In Chile at least 4,000 workers, peasant, and community leaders and activists were murdered; tens of thousands were fired, exiled and blacklisted. In Bolivia, Uruguay, Peru and Brazil lesser levels of repression weakened the labor movements. In Central America and the Caribbean

[36] The World Bank and neoclassical economists generally (Belassi, Bhagwati, Kreuger, Lal) have drawn a false and entirely misleading conclusions from the success of the rapidly-growing economies of East Asia that have geared their economies to manufacturing exports. In no case was this export-oriented industrialization strategy pursued at the expense of the domestic market. In fact, this market was–and still remains–a protectorate of the State, as are the industries and enterprises that rely on it. In contrast, in Latin America the neoliberal reform process has prematurely exposed nascent and immature industries and enterprises to the forces of the world market, leading to the technological restructuring of a few but for the most part resulting in a policy of lowering the cost of labor in production and the weakening and destruction of domestic markets.

[37] Under the conditions that we have identified it is possible to conclude that the phenomenon of low wages is functionally linked to a dynamic of export-oriented production, which is determined (limited by) the absorptive capacity of external rather than domestic demand: low wages provide a disincentive for the productive investment of surplus value and favors the unproductive consumption by capital.

over 300,000 peasants, worker and indigenous activists were slaughtered. In Guatemala, 200,000; in El Salvador the slaughter of 70,000 workers, peasants and teachers including leaders and militants during the 1980s was the key to the decline of labor resistance to neoliberal policies in the 1990-99 period.

The quiescence of the labor movement as of the 1980s can be explained easily enough by reference to the extraordinary level of violence in the repression of the movement. This repression is part and parcel of the global class war launched by capital against labor in the early 1970s, in retaliation for the gains that it had made in two decades of struggle that culminated in the revolutionary offensive of 1968.

By different accounts organized labor lost many, if not most, of the battles in this war, leaving the movement seriously weakened, its forces of resistance disarticulated. It is also possible to explain the organizational and political weakness of organized labor, its lack of political dynamism in recent decades, in 'structural' as opposed to political terms, i.e., as the result of structural forces operating on labor, as described above. Not that these structural forces operate in a vacuum, or without apparent agency. As argued above, the forces of change operating on workers, both rural and urban, responded to the agency of organizations such as the World Bank that sought to advance the process of capitalist development by means of a policy agenda of 'structural reform' that created the conditions not only of immiseration and poverty but what appeared as 'structural change'–forces beyond anyone's control–the very forces that decimated the working class and its organizational–and political–capacity. In effect, the working class in its organizational form was the effective target of a strategy and actions that combined structural force and violent state and para-state repression. In some contexts, an additional factor in the weakening of organized labor was the cooptation of the leadership, as was the case, for example, with the CTM in Mexico and the CTV in Venezuela.

Under conditions of this onslaught in the class war it is not difficult to explain the relative quiescence of the labor moment in recent years, and its reduced role in the class struggle. Not there has not been, or is, no organized resistance in the weakened labor movement. We just need to point towards the resistance of the metalworkers and CUT in Brazil in the 1979-1980 strike and onwards, or the organized resistance of public sector workers in Peru and elsewhere. And in Mexico, in the current context of neoliberal globalization, the movement of electrical workers–the *Sindicato de Electricistas de México* (SME)–was leading the fight against neoliberalism with the broadest, deepest,

and most unified resistance, until its most recent setbacks, suggesting that without a political instrument movement struggles are incapable of defeating the neoliberal onslaught.

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