Enchained by Global Piece Work

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The World Bank publishes an annual World Development Report. The one for 2020 extolled the wonders of Global Value Chains. The initial relationship between the most economically developed nations and those (mostly colonies) at an earlier stage involved the former extracting natural resources from the latter. The desire for independence was to a large degree motivated by the realization that the occupied were enriching the home countries of their occupiers while gaining no material or social advancement for themselves.

They eventually achieved at least a nominal independence and set out to improve the living standards of their people. But to do that they needed money to buy and/or build the requirements for that better life. That meant selling their natural resources which produced the means for basic development but not enough for that level of material and cultural development seen in the so-called first world. Theoretically it was possible for those of the first world to profitably assist the less developed in raising their technological productivity to a level closer to the first world, but beyond a certain point that would make them competitors.

But the elites found a way they thought would please both sides. One side wanted cheap labor and the other wanted access to advanced technology. So now more than half of world trade involves products made through hyper-specialized manufacturing techniques. The overall maker of the product finances in foreign lands the technology required for the making of specific components and then brings them all together as a finished product which it sells as though it were uniquely their own. As for the lesser participants in this scheme they obtain a taste of advanced technology through their piece work participation without having to give them a technological advantage. It also is not very profitable because the piece work nations are not in a position to market what they make but must accept what the dominant player in the game will offer. Thus the exchange value of commodities they have played a part in making accrues all to the masters of the scheme while those serving the masters are much like their ancestors under colonialism; enriching foreign oppressors and their local servants.

Economic Data

-- The Department of Agriculture estimates a record farm debt of $416 billion this year. Prices have failed to keep pace with costs and as debts reached critical levels banks refused to lend. That attracted vulture lenders to swoop down and charge twice the bank rate and then plant themselves at the point of sale so they could collect enough of the farmer’s income to satisfy their greed. Which keeps the farmer alive while making his financial illness all the more grave.

China News

– Rioting middle class Hong Kong brats are causing more banks to close than major typhoons. In a recent day of fire bombing, brick throwing and subway system wrecking the precious youth of Hong Kong apparently inadvertently managed to cause the shutting of 250 banks, and the early closing of 100 more, out of 1300 total branches. That's the worst ever so far; 230 closings on August 5th being the old record.

Given the apparent endlessness of the city-wrecking, many have wondered why rulers on the mainland haven't moved to end the 'special' relationship they have with this 'pure capitalist' part of itself. That is because Hong Kong is a model for the re-making of the entire nation. So perhaps once these wet-nosed kids grow up they will learn that patience can best speed their goal.

-- Beijing has sent bank disaster teams to oversee conditions in at least 15 of China's 31 government districts. It the past this has always been done when risk of bank failure is imminent. The banking problems are caused by the slowing economy and tax cuts ordered by the central authority to stimulate the national economy. Interestingly, much of the loan risk comes from local authorities using the banks for building schemes to keep their local economies afloat. Such conflicts of governmental interest are typical of market economies and are unseen in a rational planned economy.

-- China's industrial production rate fell to 4.7% in October from September's flash-in-the-pan 5.8%. Clearly August's 17 year low rate of 4.4% is where the industrial economy is going. The most significant component of IP, manufacturing, grew at only a 3.9% rate. Also, the all important Fixed Asset Investment rate fell to 5.2% over the previous 10 months. The lowest rate since November 1999. Retail sales and exports-imports also fell. The central government is doing all it can to at least maintain the appearance of a GDP growth rate above 6%.

-- In its drive to increase capitalist efficiency and profitability the central government has moved to have their 10 largest steel makers produce at least 60% of the nation's steel. With the economic decline China has far more steel-making capacity than it needs. As yet there have been no estimates of job losses.

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