Is the Market to Blame for Current Supply Chain Problems?

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From the height of the COVID-19 pandemic to today (and likely to continue with the sudden rise of Omicron), we—speaking particularly of the U.S.—have seen a massive disruption in global supply chains. The obvious (and correct) answer to 'why?' is that labor is the basis of society, and when it—particularly that part involved in moving goods—hibernates because of a horrific pandemic and suffers systematic mistreatment by vicious capitalists and idiotic politicians, one will see a massive slowdown in the global economy. As Kim Moody explains in his excellent article, "The Supply Chain Disruption Arrives 'Just in Time,'" "A lack of truckers, railroad workers, warehouse workers, and others along the nation's supply chains means congested ports, stalled and unloaded ships, overloaded warehouses, increased delays, empty shelves, and higher prices." But Moody goes deeper to point out more structural issues around supply chains in the form of the 'just-in-time' model;

> the brainchild of Taiichi Ohno, an engineer at Toyota Motors in the 1950s[,] . . . just-in-time delivery [was] a way of increasing profits by eliminating "waste," by which he meant stockpiles, extra workers, and more minutes. Instead of spending time, labor, and money on storing parts along the assembly line or in a warehouse (as manufacturers had done for decades), Ohno's idea was that suppliers could deliver these just as they were needed, eliminating inventories.

Adopted into the west by the U.S. auto industry in the 1980s it has become a defining feature of globalization, with massive amounts of manufacturing being sent overseas and complex supply chains becoming the norm. This has made the global economy massively susceptible to disruption. As Moody explains,

> Speed brings greater risks. Floods, power outages, computer glitches, roads in disrepair, labor disputes, or as we have now seen, pandemics and trade problems can bring a just-in-time system to a halt because there is no slack in the system. Low inventories increase the risks of disruption, while speed propels the dislocation up and down the supply chain via "ripple" or "snowball" effects.

And this overall model also directly contradicts any strategies to prepare for future disruption. As Richard Wolff points out in his video "Wolff Responds: Lessons Learned from Corona Pandemic," modern capitalism conflates short-term profitability with efficiency, leading industries to not produce, stock, and organize in preparation for such disasters as pandemics that have proven to be a fairly regular occurrence in modern history—look at the 1918 flu or SARS. For Kevin Carson, in his piece "Pandemics: The State As Cure or Cause?," said preparedness includes "relocalizing economies, shifting production from wage labor to the commons and social economy, and building high-capacity mutual aid networks for pooling risks and costs. We need an economy that's less connected, with less of our stuff coming from thousands of miles away and fewer people hopping on jet planes every day, and where people in non-essential work can stay home and distance themselves without permission from a boss and without risking homelessness."

But returning to the crisis itself, William I. Robinson points out that…

> [b]ehind this disruption of the global supply chain is a larger story of capitalist globalization, which above all has involved the insertion in recent decades of every country into a new globally integrated production, financial and service system. This system is characterized by the fragmentation and decentralization of industrial production and distribution processes into numerous intermediate phases that are geographically scattered around the world.

This is a clear extension of Marx and Engels observation in *The Communist Manifesto*, that "[t]he need of a constantly expanding market for its products chases the bourgeoisie over the entire surface of the globe. It must nestle everywhere, settle everywhere, establish connexions everywhere." The essential framework for this motion has been laid by historical and ongoing processes of imperialism and colonialism as well as the contemporary form of global militarization, but these are extra-economic aspects of capitalism based, when taken at their fundamentals, on the fairly direct use of force. And while these have been *widely* (and rightly) critiqued, the supposed culprit for many on the left is still the market. Moody blames "[d]ecades of deregulation, privatization, and market worship" for leaving "society vulnerable to the unbridled force of just-in-time supply chains, while depriving us of the political means to tame the beast. Weakened unions and labor-management cooperation schemes also limited our ability to apply the brakes at the source of all supply chain motion: the workplace, be it a plant, a warehouse, a truck or train, a port, a computer screen, a store." And the critique of the market as being fundamentally at fault for the problems throughout COVID-19 is common across the left and center-left, with news titles reading "Pandemics Show How the Free Market Fails Us," "Pope: Market capitalism has failed in pandemic, needs reform," and "Capitalism and COVID-19: Why We Need a Planned Economy." This raises the question (particularly in the case of supply chain problems): is the market the aspect of capitalism that is at fault?

To begin, Gary Chartier points out that "[t]here are at least three distinguishable senses of 'capitalism'" These include:

capitalism-1

an economic system that features property rights and voluntary exchanges of goods and services.

capitalism-2

an economic system that features a symbiotic relationship between big business and government.

capitalism-3

rule — of workplaces, society, and (if there is one) the state — by capitalists (that is, by a relatively small number of people who control investable wealth and the means of production).

The first of these would accurately describe the basics of what a market is and what naturally occurs without state intervention, but this is certainly not what exists currently on any substantial level. The second and third accurately describe the existing economic system with its prioritization of corporate power and wealth concentration. And furthermore in the case of the second and the third, the market is not a central feature but is more of a secondary mechanism that can help facilitate capitalism but does not define it and whose principles are consistently violated. On the surface, this might appear to be a wholly definitional conversation, and it certainly is in part; sometimes when an anti-capitalist says 'market' they really mean 'the market economy as it exists under capitalism' but other times they mean, as is a common definition of market,"[a] set up where two or more parties engage in exchange of goods, services and information the mechanism of distribution called a market." This is similar to Carson's critique of vulgar libertarians, who conflate capitalism with the free market. However, this differentiation involves the conflation of the capitalist form of market economy with markets in general as mechanisms of distribution. But the point goes deeper toward how we understand capitalism's relationship to its parts.

Wolff writes that…

> [m]arkets are a means of distributing resources and products, goods and services. Quid pro quo exchange defines markets: one person offers to sell to another who offers to buy at a mutually agreed ratio that may or may not be mediated by money. To say that a market exists means that such an exchange system is what accomplishes distribution. To say that a market exists says nothing about how production is accomplished or how resources are converted into products. Capitalism, on the other hand, is a description of how the production of goods and services is organized, and how the participants relate to one another in the process of production.

And markets as "mechanisms of distribution in societies" can and have existed "in relation to different systems of production." Furthermore, they "usually coexist and interact with state apparatuses. Those interactions are marked with greater or lesser degrees of state interventions: from rigid regulation of exchanges all the way over to 'free' trade or markets where regulation is minimized or absent." Capitalism is often mischaracterized by the aforementioned vulgar libertarians as being the latter, but in reality the capitalist system is defined by the structural presence of state-sanctioned monopolies identified by Benjamin Tucker as the land monopoly, the money monopoly, the patent monopoly, and the protectionist monopoly, with Charles Johnson adding the agribusiness monopoly, the infrastructure monopoly, the utility monopoly, regulatory protectionism, and the healthcare monopoly. These lead to a politico-economic arraignment that certainly has a market but within which most economic behavior is divorced from anything close to natural market signals. In fact, this distortion through non-market mechanisms goes so deeply to the core of the both the U.S. and global economic system that Alex Aragona argues that "[t]here comes a point when it is impossible to avoid the fact that much of the world we live in does not merely exhibit *tendencies* of state-capitalism that necessarily violate market principles through the action of the state and entrenchment of business power, but is one where the system *primarily* operates in just that fashion. Ultimately, we live within systems of state-capitalism with small pockets of free market activity, rather than the reverse." The question thus becomes, in regard to any economic issue, what feature of capitalism is the source of the issue? Is it the weak, captured market being used as a largely passive organizational tool or is it state intervention that has created and maintains the structures that make capitalism what it is? In the case of the structural issues of supply chains during COVID-19 —and, frankly, most other cases—the answer is the latter.

Proof of this can be found in Carson's aforementioned work, which heavily covers the monopoly of transport infrastructure subsidies in addition to the intellectual property monopoly. He accounts how foreign aid and World Bank loans have largely functioned to subsidize the transportation and utilities infrastructure that makes the offshoring of production profitable and that the outsourcing of "production to low-wage countries depends heavily on patent and trademark laws — the centerpiece of virtually every 'Free Trade Agreement' rubber-stamped by governments around the world." Furthermore, the transportation by container ship of all that is produced in foreign countries has "a much better bottom line thanks to the US Navy keeping the sea lanes open at taxpayer expense." And this is not limited "to *Western* industrialized capitalist countries. The Chinese Road and Belt Initiative is well on the way to integrating the Eurasian World Island and to some extent Africa on a scale that puts the previous efforts of Western imperialism to shame." And even an episode of NPR's Planet Money explains how ordering e-commerce goods from countries like China is often far cheaper than getting them domestically thanks to the Universal Postal Union—consisting of representatives from 192 governments. In essence, "[t]here is a secretive international organization that gets together to fix the price of global shipping, and it's screwing over American small business." This line of analysis can go on and on forever, but the central conclusion is that, in the words of Carson, "what we call 'globalization' was every bit as much a product of state social engineering as Stalin's Five Year Plans, and would have been impossible otherwise." And because globalization is a structure of primarily state—and often multi-state—action as opposed to spontaneous market development, and it would be logistically impossible otherwise, it can be reasonably inferred that the widespread feature of the just-in-time model is primarily a component of extra-economic origins.

And one can go further and look at the specific phenomena of deregulation, privatization, and weakened labor unions—major promoters of the just-in-time model according to Moody—in the context of state intervention. The definition of deregulation is simply "the act or process of removing restrictions and regulations." This does not, however, accurately describe said phenomenon as it exists under capitalism. Carson points out that "[j]ust about everything we identify as problematic about corporate capitalism — the exploitation of labor, pollution, waste and planned obsolescence, environmental devastation, the stripping of resources — results from the socialization of cost and risk and the privatization of profit." Even as they are 'deregulated' their longevity is secured by state intervention both past and ongoing. Carson terms this "lemon market reform;" in which "the capitalists liquidate interventionist policies after they have squeezed all the benefit out of state action." But even "the ostensible 'deregulation' is largely illusory, with the 'deregulated' industry continuing to benefit from state regulation in all sorts of hidden ways." Both of these tactics have been used on a massive scale by corporations to both widely distribute their productive infrastructure as well as exploit nations in the Global South. For example, the bases of almost all 'free' trade agreements are multi-state negotiations of regulatory infrastructures through which they can act with impunity, and the deregulation in these situations is at most the removal of their surface-level restrictions.

Privatization is much the same way, with its definition being "to change from public to private control or ownership," but, as Charles Johnson contends, "'privatization,' as understood by the IMF, the neoliberal governments, and the robber baron corporations, is a very different beast from privatization as understood by free market radicals." While what "consistent libertarians advocate is the devolution of all wealth to the people who created it, and the reconstruction of all industry on the principle of free association and voluntary mutual exchange," neoliberal privatization includes "tax-funded contracts" for "corporations Black Water and DynCorp for private mercenaries to fight government wars" and "Wackenhut for government-funded but privately managed prisons, police forces, firefighters, etc." as well as "[g]overnment auctions or sweetheart contracts in which nationalized monopoly firms — oil companies, water works, power companies, and the like — are sold off to corporations." Privatization under neoliberalism is not simply the passing of public ownership to private ownership but the passing of de facto monopolies into the hands of wealthy capitalists. And this is certainly not restricted to the United States. In many Latin American countries, privatization involves massive amounts of corruption and nepotism, allowing economic elites to acquire ownership over critical economic entities in the form of formerly-state-owned companies in order to shift their production toward exportation—in line with the standard policies of institutions like the IMF—if the state was not already doing so.

And the "[w]eakened unions and labor-management cooperation schemes" also responsible for acceleration of just-in-time model adoption according to Moody, are a direct result of state attempts to render organized labor impotent. Two prime examples of this are the Wagner Act and the Taft-Hartley Act. As Carson explains of the former, "In the system of labor relations extant before Wagner, strikes were only one part of the total range of available tactics. Unionism, and the methods it normally employed, was less about strikes or excluding non-union workers from the workplace than about what workers did *inside* the workplace to strengthen their bargaining power against the boss." But with its implementation under Franklin Roosevelt, the Wagner Act, through state intervention, "put an end to the asymmetric warfare model of direct action on the job, and imposed social discipline in the workplace by turning union bureaucrats into enforcers of contracts against their own rank-and-file. The Wagner regime aimed to divert labor resistance away from the successful asymmetric warfare model, and toward a formalized, bureaucratic system centered on labor contracts enforced by the state and the union hierarchies." Similarly, "Taft-Hartley extended protections against such general strikes outside the railroad industry not only by prohibiting boycott and sympathy strikes, but by creating the ability to impose 'cooling off periods' on industries like trucking and shipping." These last industries are particularly relevant to the ability of the state to minimize labor's power and manipulate the market toward a just-in-time model. Carson even writes that "[a]bsent the restrictions of the Wagner and Taft-Hartley labor regime, today's 'just-in-time' economy would likely be far more vulnerable to such disruption than that of the 1930s." But even more fundamentally, without powerful unions with a wide diversity of strategies fighting to maintain domestic jobs with good wages and benefits, the continued move toward moving production overseas and minimizing domestic storage is almost inevitable.

When Moody laments the lack of "the political means to tame the beast" of the globalized just-in-time economy, therein lies a misunderstanding. Carson sums this up well when he writes, "The current structure of capital ownership and organization of production in our so-called 'market' economy, reflects coercive state intervention prior to and extraneous to the market. From the outset of the industrial revolution, what is nostalgically called 'laissez-faire' was in fact a system of continuing state intervention to subsidize accumulation, guarantee privilege, and maintain work discipline." Carson holds that a truly free market economy "without capitalistic distortions" would not, "entirely through peaceful exchange, eventually be transformed into one with large concentrations of wealth and the predominance of wage labor." Rather, it would lead to decentralized economies of scale primarily made up of localized markets. This would be nearly the antithesis of the globalized just-in-time economy. And to help move toward this goal in the Global North, there needs to be—among many other things—a re-empowerment of anti-statist unionism like that of the Industrial Workers of the World, a revitalization of mass mobilizations like Occupy, a re-focusing on the struggles of Indigenous peoples like the Wet'suwet'en, and the establishment of widespread efforts toward cooperative ownership of the economy in the style of Cooperation Jackson.

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