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Standardization, Disequilibrium, and Crisis: The division of labour and financialization

How does financialisation interact with the wider division of labour? One could be excused for thinking the connection was tangential as most papers connect it to shareholder value strategies, growth of finance, changing nature of states, and so on. In contrast, this paper centralises the relationship. It argues financialisation is not new and that it is a tendency within capitalism supported or hindered by social re-composition connected to the division of labour. The changing nature of this relationship facilitates regimes of accumulation that are more or indeed less financialised.

Keywords: Financialization, Division of Labour, Social (re)composition, Labour Process, Standardization, Diversity of Labour, Benchmarking.

Recently, much has been written about financialisation. It has been analysed as the increasing penetration of finance into everyday life, the intensification of shareholder value business models, the dominance of financial institutions, currency, and commodity markets within the economy, and the associated decline of production and manufacturing as a source of profit, etc. What is secondary, indeed often absent, within discussions of financialisation is its relationship to the wider division of labour – a division of labour often characterised by standardisation and deskilled work. In contrast, what follows concentrates on this relationship. Whilst the focus is historical, this is not to say there has been no change in the economy, nor that finance itself is not more important in some economies than in the past (Sawyer, 2013). Rather, this analysis suggests changes in the division of labour recompose societies in ways that favour (or hinder) what today we term financialisation. Christophers (2013) challenges financialization as a structural change on geographic grounds – what follows suggests it should also be challenged temporally.

The basic argument is standardisation within the division of labour allows capital to replace expensive with cheaper labour and/or secure labour with precarious labour to extract value and increase profitability. When this is combined with mobile capital which views its role as turning production units into 'financial products' (rather than as places of production and/or employment, Rossman and Greenfield, 2006; 4), then the economy of production can be financialised. As we will see, in this reading financialisation equates with the strategic control of organisations through intangible assets to extract value. Following others (Chester and Newman 2014, Baud and Durand 2011, Palpacuer 2006, Thompson, 2003), the paper responds to calls asking that financialization be linked to production processes in order to provide a systemic historical examination of the relationship between the two. In so doing, it concentrates on the rise of standardisation and deskilled labour forces and the emergence of

an earlier financialisation in the early twentieth century. Post the Great Crash national labour movements curtailed this financialisation via 'Keynesianism'. In the US (and later elsewhere), the standardised division of labour generated the class politics needed to implement a Keynesian reversal of aspects of this early twentieth century financialisation (Negri 1994, Rodrik, 2011, Sawyer 2013; 6, Streeck 2014). Importantly, the reversal of state Keynesianism engendered by the current period of financialisation is connected to a new international division of labour. Here (western) labour's power was both weakened within the division of labour and weakened politically because the capacity of nation-states to resist capital mobility policies is limited by the free movement of capital - or globalisation (Hayek 1946, Rodrik 2011, Streeck 2014)[1]. Whilst making this case of financialisation as a returning force, we stress that financialisation differs across time and space (Sawyer 2013; 16) – for example, unlike today, financial firms in the 1920s were not on average more profitable than manufacturing firms (Fabricant, 1934; Table 3).

Other analyses of financialisation and the division of labour focus on three features of the relationship. One, the creation of corporate objectives driven by maximisation of shareholder value. Two, the financialisation of investment so that non-financial firms increasingly own financial assets e.g. Tesco the retailer owns Tesco Bank. Three, the financialisation of operations so that routine transactions and processes with suppliers and labour are systematically cheapened and/or controlled to extract value via intangible assets (Baud and Durand, 2011; 243). In different ways, all three represent the distribution of value away from labour to those who own and control assets however, this paper concentrates on this last feature and to a lesser extent the first.

What follows suggests financialization is a longstanding possibility within capitalism because of its relationship to labour processes (Bryan et al., 2009: 459; Baran and Sweezy, 1960: 139-41, Palpacuer 2006, Baud and Durand 2011). It argues before financialization becomes widespread, the technical division of labour must be standardised because standardisation makes labour inter-changeable and allows capital the leverage, to increase profits and, crucially, increase its share of value – even if wages are rising. With this increased power, productive units become 'new financial products' (Rossman and Greenfield 2006; 4) whose purpose is to extract value rather than act as 'social institutions' (Berle and Means, 1991) which 'retain and invest' value within firms (Lazonick, 2010). In making this case, the paper adds to the literature in two ways:

1. It highlights connections between financialization and standardising transformations in the labour process such as Taylorism, global value chains (GVCs) and logistics, to argue financialization occurs in tandem with standardization because standardisation allows organizations deploy their power against other capitals and diverse labour groups.
2. By providing a historical analysis of the labour process-financialization relationship, the paper supplements current explanations e.g. those located in the pursuit of shareholder value (Lazonick 2010), changes in states (Krippner, 2011), or a structural shift in economies (Sawyer, 2013) by extending the timeframe of financialization and tying it to labour – a neglected area in the literature (Baud and Durand, 2011; 241).

Veblen's (2013, 1908a, 1908b) work, conducted in the slipstream of the 1898-1902 merger wave which produced modern corporations and monopoly capitalism (Baran and Sweezy, 1960), influences this paper. This analysis of standardisation and the 'machine process' enables us link financialisation and the politics of distribution to management processes in order to suggest contemporary financialisation, whilst different, is a continuation of earlier

processes. Following Veblen (2013), elements of financialization, e.g. financialisation of routine activities become possible through the increasing capacity to compare and benchmark suppliers and labour and to direct value away from both. This enables a financialised economy anchored in concentrated strategic control and capacities to invest/divest. One element of this benchmarking is the exploitation of new, non-traditional labour groups, e.g. GVCs help arbitrage established labour (Freeman 2018). In short, important parts of financialisation require comparison of labour and/or smaller capitals/suppliers - predicated on the capacity to standardise. For example, major firms like Carrefour or Wal-Mart took advantage of globalized supply chains and labour processes to squeeze value from labour and smaller capitals and then used this enhanced power to financialise routine operations through cost plus accounting, holding less tangible inventory, delaying payments to increase their liquid capital, etc. In so doing, they increased the liabilities held by stakeholders and lessened their own (Baud and Durand, 2011; 256-8). Equally, Apple uses its largely standardised GVC to financialise operations, exert cost control, transfer risk, and invest heavily in branding and tactical innovation to satisfy financial markets and shareholders (Froud et al 2012).

The power to implement such practises has alerted the division of labour. Today, it is difficult to think of the division of labour as simply, for example, 'flexible specialisation' or traditional Taylorist-Fordist work processes of dominant production firms (Pun and Smith, 2007). As much as any society can be encapsulated in one mode of production, today it is more accurate perhaps to think of the division of labour as (significantly) made up of 'non-producer' firms sub-contracting their production needs to 'dormitory labour regimes' (Pun and Smith, 2007); global factories of concentrated production capacity built for the logistical purposes of buyers not manufacturers (Apple's iPad is made in one factory and its IPhone

just two, Freeman, 2018; 290); standardised and deskilled industrial districts (a third of the world's socks were recently made in the Datang industrial district of China, Freeman, 2018; 295, Mezzadri 2018); the concentration of key suppliers in 'cascade effects' (Nolan 2012), etc. Thus old divisions of labour, such as Fordism, are modified to allow capital gain tighter strategic control of economies and enable financialisation.

The Machine Process and Business Enterprise – twin features of financialization

To understand how groups gain strategic control it is useful to analyse Veblen's (2013) 'machine process' and 'business enterprise'. By machine process, he means the technical division of labour. The business enterprise implies strategic control of corporations/industries through intangible assets – especially, but not simply, financial investment/divestment. The business enterprise enables the concentration of ownership and control dedicated to extracting value via rent-seeking, arbitrage, and differential advantage (Veblen, 2013: 68-86; 1908b: 107-8: 115-20). Importantly, machine processes build on standardisation. Standardization occurs so that parts are uniform across goods and services e.g. electrical products and USB sticks or scripted call service centres. This does not occur in isolated organisations, but necessarily entails an inter-related spreading of consistency – a chain (Veblen, 2013: 10). Contingency, irregularity, craft are anathema to machine processes (Veblen, 2013: 11). Standardisation grows because producers seek it within their internal systems and from suppliers. But also they, as suppliers, supply to a standard which ensures standardization penetrates labour processes and economies.

Central to Veblen's (2013; 16-37; 1908a; 1908b) machine process is its relationship to the business enterprise. He (1908a: 533-4) argued capitalism created ever larger firms which generated an increasing separation between machine processes and business enterprises.

Crucially, the business enterprise focused on strategic control and intangible assets rather than the direct surveillance of labour. Through intangible assets and liquidity, business enterprises separate strategy from day to day production management and favour value extraction e.g. rent-seeking (Veblen, 2013). For Veblen business enterprise intangible assets are an important, but unproductive, means of distributing surplus away from labour. Thus even if firms operate in their traditional markets they develop intangible assets, (cost accounting techniques, marketing, intellectual property rights) and centralise knowledge via standardisation to squeeze value from labour, suppliers, and customers. For example, Singer Sewing Machine used its standardised labour processes to create a contractual production network with the Providence Tool Company. The contract, to make cheaper Singer machines without the Singer brand, allowed Singer squeeze value through intellectual property rights and standardisation (Hounshell, 1984; 96-7). Similarly, Ford, perhaps the pinnacle of standardised labour processes, increasingly relied on intangible assets like innovation and marketing in the 1920s. Despite Henry Ford's resistance, the Model T was regularly modified. By 1926-7, innovation and marketing were fundamental to automobiles and their lack of centrality to Ford lost it market share so the firm reoriented to embrace 'flexible mass production' (Hounshell, 1984; 261).

In contemporary economies, these intangible assets are more important. The private equity firm perhaps epitomises the relationship between machine processes and the business enterprise. Today, the business enterprise demands returns of 10 per cent in 'foundational' sectors of the economy, such as privatised rail or power utilities (Foundational Economy Collective, 2018; 65), and in other sectors it sets a goal of 20 per cent (Rossman and Greenfield 2006; 2). These strategies drive corporations towards financialised models located in deskilling, undermining routinized working conditions, loading corporations with debt,

extracting value via share buy backs, etc. The employment importance of private equity firms is significant e.g. in 2006 the private equity firm Blackstone Group International exercised control over workplaces employing upwards of 300 000 people, although it refused responsibility for their management (Rossman and Greenfield; 2006; 3). However, not just private equity firms exploit intangible assets. Adidas used its brand and intellectual property rights to close its manufacturing plants in Germany (keeping one as a technology centre) and sub-contracted its manufacturing to cheaper regions. Similarly, Nike offloaded its production to Yue Yuen International whose 111 000 employees in its Dongguan factory produce a million shoes a month for a variety of Western firms (Freeman 2018; 273). Firms use their intangible assets to dictate the terms of business (investment) to these suppliers or to divest themselves of the relationship for more profitable and/or controllable ones. As such, the deployment of business enterprise intangible assets is increasing through global value chains and this operational financialisation has enabled the Top 100 firms increase their percentage of profits through rent extraction from 16 per cent in 1995-2000 to 40 per cent between 2009-15 (UNCTAD 2017; Fig. 6.1). Between 1996-2000 and 2011-15, the leading 2000 firms have used these assets to increase their net sales/revenues from $12.8 trillion to $36.8 trillion and their rate of profit has risen from 5.7 per cent to 7.0 per cent despite the great recession (UNCTAD 2018). Operational financialisation through the machine process appears both more portable and more tied to the business enterprise than in Veblen's time.

Historically, such a closeness generated political fear about new financial elites e.g. expressed by Woodrow Wilson and the Progressive Movement (Veblen 2013). Examples are Congressman Lindbergh's declaration a 'money trust' dominated finance and industry and the 1912 Pujo Committee which reported 'an inner group' controlled over one hundred corporations (Bellamy Foster and Holleman, 2010). Prior to the New Deal, financialization,

as the rise of strategic control and capacity for large-scale financial investment/divestment, was present and growing. J. P. Morgan's US Steel encapsulates this new role of finance and strategic control (Brody (1987: 19). Morgan sought control of the circuit of capital through wage and price stability, not competition. US Steel sought oligopoly and rising profits (Brody, 1987: 24). As Charles Schwab, a leading actor in its creation, suggested it 'would banish forever the need for wasteful competition and ensure monumental profits at prices that would bankrupt any foolhardy interlopers' (Standiford, 2005: 277). This emphasis on gaining strategic control of whole industries increased capacities to extract value.

Galbraith (1954: 182-210) argues this power generated sharp increases in profits whilst keeping wages subdued. He suggests output per worker rose by 43 per cent in the 1920s, but that corporations used their new found strategic control to ensure wages failed to keep pace (an important element of the current financialisation). Indeed, controlling concentrated assets ensured the 'Gilded Age' was economically strikingly unequal (Piketty, 2014; Fig. 88.7). This diversion of value from labour encouraged a process whereby profits were invested in capital goods in order to maintain demand because labour's consumer spending could not bridge the shortfall between production and consumption (Galbraith; 1954; 192-4). As time passed, this dominance meant rising profits were ploughed back into capital goods and more production and, from there, into speculation in industries like property, insurance, etc. These developments encouraged poor corporate governance because producing firms saw profits siphoned off to pay for (speculative) investments made by their business enterprise holding companies upstream.[2] Strategic control links growing production based profits with finance and liquidity to enable the deployment of profits in investments. Galbraith argues the finish of this accumulation was the Great Crash. Veblen (2013) suggested such accumulation increased economic instability because, in a financialised economy, 'vested interests' come to

increasingly rely on such strategies. Thus as industry becomes dominated by financialised activities, market rules or regulations are geared towards vested interests who often seek out crisis and disequilibrium to threaten regulation as a 'public good' (Űlgen, 2017). As such, operational financialisation feeds into other financialisation forms.

The machine process is pivotal to financialised economies because its uniformity enables financialization to distribute wealth away from labour. In short, mass production facilitates the concentrating of ownership and control (Veblen 1908b) and the searching for differentials and diversity within, and across, standardising processes. Veblen (2013; 14) argued standardization meant production became embedded in a uniform comprehensive mechanical system which implies that when disequilibrium sets into the concatenation, e.g. improved communications, it enables the exploitation of cheaper labour in new locations (as standardised containerisation has done, Freeman 2018). The business enterprise leverages disequilibrium to invest where the greatest imbalance and most profitable opportunity lies. For example, having standardised production in steel, the industry could and did exploit race, e.g. the 1915 steel strike (Brody, 1987: 162), to weaken the power of, and rewards to, labour. This was possible because production had standardised and the industry, as a strategically controlled oligopoly, encouraged interchangeability of labour. Anticipating contemporary 'supply chain capitalism' (Tsing, 2009; Baud and Durand 2011, Danyluk 2017), machine processes enabled the business enterprise use suppliers, communications, and labour diversity e.g. gender, class, ethnicity, or immigrant status, to squeeze value (Veblen, 1908b: 135).

In contemporary ways (Rossman and Greenfield, 2006), Veblen (2013: 19) argued capitalists were interested in disequilibrium and crisis within economies. Disequilibrium and crisis

encourage a declining direct interest in labour management[3] and even an interest in restricting production and productivity (Veblen 1908b: 107-9). As with the present-day, wherein power dynamics between firms structure GVCs (Thompson, 2003: 367; Starosta, 2010: 548-50, Baud and Durand 2011, Froud et al 2012, Starrs 2013), Veblen (2013) argued business relations between capitalist groups, not the direct management of labour or competition, grow in importance to further divorce the business enterprise from direct production. For example, holding companies receive profits from operating companies (Galbraith, 1954), or, as Henry Clay Frick said in 1905, 'the whole fabric of American industry, commerce and finance, has grown into inter-supporting relationships' (Standiford, 2005: 281). Central here was the merger wave itself. It recast ownership ensuring owner-managers became a thing of the past and ownership emerged as control through investment or divestment in a variety of corporations/opportunities – 'vendible capital' (Veblen, 2013: 18-20; 1908a: 533-5, 1908b). Capitalists move from production to financialization in the manner of 'Captains of Industry' (Veblen, 2013: 20) such as Rockefeller, Frick, or Morgan. This world is shaped by churn because businessmen search for higher profitability and so shift resources, unlike passive small shareholders who 'hold(s) permanently to a given enterprise' (Veblen, 2013: 192 n7). During this period, the strategic control of concentrated assets ensured that the upper decile of the US population claimed 45-50% of national income within which capital gains were an important element (see Piketty 2014; Fig. 1.1 and Fig. 8.5).

Craft, the Inside Contract and Standardization

If standardization and financialization are interrelated then we should appreciate the relationship. Standardization traces its origins to the military pursuit of inter-changeable components (Chandler, 1981: 156). From the 1760s, France sought to rationalise munitions

production with standardised parts. This quest would ensure weapons were replaceable or restorable with standardised parts and so enhance military effort. These ideas reverberated in America. Thomas Jefferson sponsored them, distributed texts and communicated with officials on inter-changeability. With different levels of determination, post 1800 the US military pursued standardised inter-changeable parts for fifty years (Hounshell, 1984). Whilst initially seeking efficiencies of repair on battlefields (Ferguson, 1981: 3), standardization became a struggle over knowledge between craft workers and capitalists seeking control of labour processes, reduced costs, and the capacity to benchmark employees against one another (Hanlon, 2016; Montgomery, 1987; Braverman 1974)[4]. This antagonism over standardization, and who controls production, was a key battleground in the restructuring of the nineteenth century (Wilentz, 2004; Negri, 1996).

Furthermore, standardization is central to mass production (Hounshell 1984). Standardization, labour control, and benchmarking must penetrate organizations for mass production economies to emerge. For example, in the 1880s Singer used craft labour to mass-produce 500 000 sewing machines annually (Hounshell, 1984: 89). However, standardization was necessary for Singer's products to be inter-changeable, benchmarked, and hence regularised. Singer's building of a globally branded corporation led it to standardise its European machine tools, gauges, and other devices along its US lines (Hounshell, 1984: 97). This was not simply driven by labour costs (which were cheaper in Scotland than the US) - it was about deploying intangible assets and corporate power to extract value via the brand. Strategic control allowed the firm benchmark 'quality', productivity, and gain further control over its market. Rather than being a singular focus on the management of labour, the machine process enabled better control of the circuit of capital. Importantly, Veblen (2013: 14) argued such standardizing processes increase as

economies develop. This is because standardization enhances accumulation and corporate power (globalization entails benchmarking systems like SAP or Six Sigma, Sklair, 2001: 113-48 and standardised infrastructure projects such as Export Processing Zones, Easterling 2016). In this view, early twentieth century globalisation is (partially) the internationalisation of the machine process and business enterprise – a precursor to contemporary international divisions of labour which allow corporations to coordinate value extraction processes in a 'new imperial system' (Hymer, 1970: 446, Tsing, 2009; Baud and Durand 2011, Nolan, 2012). Here capitalist standardization appears inevitable. However, this is an appearance because its development emerged as one outcome of political conflicts with a key labour group of the time - craft workers (Negri, 1994, 25.5). As a group, craft workers were favourable to markets, but not necessarily supportive of standardization or profit maximisation i.e. to capitalism's development, and hence they were reduced.

Capitalism's development made craft power problematic because it halted standardised benchmarking and strategic control. Hence craft workers needed managing. The route to this was to standardise, undermine skill (Stone, 1973; Montgomery, 1987; Brody, 1987), and reorganise work by 'exerting pressures for change that would benefit management' (Ferguson, 1981: 10). The end of craft relations of production is located within the division of labour and the desire to redistribute value away from production, intensify production processes, standardise, benchmark, and measure. What informs Taylorisation is labour's knowledge, power, (limited) refusal of capitalist development, and its capacity to guide value towards labour – organizational change is driven by these wider social forces. In this reading, the struggle to standardise helps lay the foundation for conflicts around what we call financialization because, as we will see, without standardization Veblen's business enterprise is impossible.

The pursuit of standardization, the bureaucratic organizational form, and monopoly capitalism

Bureaucracy is key to understanding standardization and mass production (Clawson, 1980, Hounshell 1984, 270-75). Creating gauges, tolerances, machines, and systems so precise to repeatedly produce the same cut, joint, or product requires bureaucratic forms.

> 'The goal of inter-changeability, still very elusive, Lee believed, became an exacting exercise that imposed a bureaucratic system upon the armoury [in 1820] in its attempt to prevent any deviation from the standard pattern.' (Hounshell, 1984: 35 – date not in original)

Anticipating assembly lines, superintendent Roswell Lee's pursuit of aligned machines facilitated sequential production and created a flow that virtually eliminated hand labour at Springfield Armory. Thus standardization brought with it bureaucratic order - one sees this at US Steel. US Steel emerges after the 1892 Carnegie Steel Homestead strike that reshaped the industry in favour of owners – Carnegie Steel was a central component of US Steel because it dominated the market (Montgomery, 1987). This reshaping of relations occurred because standardised production had 'so simplified steel making that untrained men could successfully replace the strikers. That key fact, evident to both sides, determined the course of the Homestead strike' (Brody, 1987: 18). Thus while the business enterprise enriched and detached leading capitalists – like Carnegie and Morgan - from production, machine processes simultaneously ensured labour was subjected to measurement based, cost-cutting, and bureaucratic management practises designed to enhance strategic control and increase comparability of (and extraction from) individuals (and later factories and industries).

The Homestead strike was not simply about the greed of leading capitalists. The immediate amounts involved were relatively trivial. At the time the profits of Carnegie Steel were $5m per annum. The added costs of maintaining the existing employee agreement would have dented this by $20 000 per annum (Standiford, 2005: 117). The 1889 agreement, with the Amalgamated Association of Iron and Steel Workers of the United States, included a sliding scale linking skilled workers' wages to the tonnage market price of steel. In the agreement as steel prices rose so too did wages, but as steel prices fell, a floor of $25 per ton was set below which wages could not decline. This effectively insulated workers from downward shifts in the price of steel (Standiford, 2005: 109-26). Carnegie Steel wanted to alter this and push risk away from owners in the 1892 renewal. During the earlier agreement period steel prices fell by 19 per cent thereby increasing unpredictability in two ways – one, market prices for steel fluctuated and two, wages were uncertain. Whilst the firm viewed profits as cyclical and unknowable, it sought uniform costs. It felt costs should be controllable, fixed, and standardised (Standiford, 2005, p69-83). That is, to operationally financialise routine transactions by treating wages as fixed costs (to be driven down) in order to redistribute value upwards (on the importance of wage struggles to wider labour-capital power relations see Marx, 1994; 182-4; Negri 1988)[5]. Standardization and calculability allowed better management of capital's circuit.

Post 1892, Stone (1973) describes how steel created modern bureaucratic forms. So dominant did this model become, Chandler (1981: 161) suggested that since 1910 the 'basic organizational structure and the basic techniques of coordinating and controlling their operation have changed little'. At its organizational heart is the demise of craft, the transferring of knowledge to management, its concentration in intangible bureaucratic systems, the ever-growing importance of measurement, benchmarking and comparability, and the emergence of semi-skilled workers. The struggle over steel between 1892 and 1920 is

key to modern corporations and to operational financialization. Post-Homestead, the industry transformed through a minute division of labour, use of new technology to alter production and job structures, comparing and disciplining of labour forces no longer capable of self-organising production, and embedding of control – at a distance - over the entire labour process (Stone, 1973). In short, modern corporations.

Within this transition, and despite increasing productivity per worker, the rewards of labour (especially skilled workers) declined. For example, a Roller at Homestead in 1889-1892 was paid $14 per tonnage, yet by 1908 a Roller received $4.75. Steel broke the connection between market price, productivity, and wages (Brody, 1987: 15). In 1892, Carnegie Steel paid out $7.3m in wages and profits were $4m. However, post standardization, 1899 profits were roughly $22m and wages were $10.9m (Standiford, 2005: 239-40: 250). Thus, in the seven year post-strike period wages went from being twice the size of profits to less than 50 per cent as value was skewed away from labour[6]. Within this seemingly technical transition, labour force composition changed through accessing labour's diversity. From 1890-1910 the labour force grew by 129 per cent. However, native-born skilled white workers only grew by 55 per cent and immigrants from Germany and the British Isles (where overseas skilled workers generally originated) declined by 18 per cent. In contrast, Afro-Americans grew by 165 per cent and, most notably, Southern and Eastern Europeans grew by 227 per cent; so whereas in 1890 they made up less than 10 per cent of the workforce, by 1910 they were nearly half of it (Montgomery, 1987: 42). Anticipating today's operational financialisation, capital looked to arbitrage labour's diversity within ever-homogenising production processes. As a result, profits rose exponentially and value was distributed away from labour (Brody, 1987; Standiford, 2005 - on similar contemporary but now global occurrences see Tsing,

2009; Starosta, 2010; Baldwin, 2016). Industry shifted from skilled and unskilled to semi-skilled labour creating the mass industrial working class (Negri, 1996). However, despite the exploitation of labour's diversity, in the US context deskilling had an unforeseen consequence in that it meant workers became increasingly homogenised to see themselves as a class rather than, for example, members of a craft (Wilentz, 2004; Brody, 1987). As such, they collectively resisted this financialisation.

Class (re)composition and the realignment of the machine process and business enterprise

Without rehearsing Taylorism (Hanlon, 2016: 89-124), deskilling is a reaction to labour's knowledge, its resistance to comparability, measurement, benchmarking, and its capacity to direct value towards itself. It is in this light we should understand standardization and financialization. Making things, processes, and people inter-changeable, measurable, comparable, and standardised enables ease of management. It facilitates distributing value from labour via the concentration of knowledge and the capacity to measure. Taylorism is the capitalist tendency towards an operational financialisation, more and greater standardization, bureaucracy, measure, comparison, and hence planning (Hymer, 1970; Baldi, 1972). During the Homestead strike, Frick argued management planning, not labour, improved productivity. This improvement lessened the cost of steel and expanded sales, which unjustifiably increased labour's wages because the increase resulted from management's capacity to increase sales. As such, Frick demanded wages be de-linked from market prices and value be legitimately shifted away from labour (Standiford, 2005: 112-3). By making wages a fixed costs and breaking the link between wages and product markets, Frick used greater direct control of machine processes to achieve more strategic control of the business enterprise. This strategic control was located in the bureaucratic organisation of production. This allowed capital drive down wages as a share of value and force labour to compete with labour. These processes grow as economies become more complex and

comparable. Today, Nike does likewise and uses its intangible assets to, more or less, avoid production whilst choosing cheaper producers so it can reduce labour costs. Nike claims the improved value creation is achieved through managing its brand and so redirects value upwards (on the distribution effect of the intangible see Veblen, 2013: 14 – today, see Rossman and Greenfield 2006, Tsing, 2009; Danyluk 2017).

Organizationally these shifts necessitate planning. Planning increases as machine processes expand within firms, but it also emerges as strategic control and organising by 'coordinating firms' (Veblen, 2013: 14, 1908b – Nolan (2012) refers to these as 'systems integrators', see later). Both developments – within the single firm or within coordinated firms – deploy bureaucracy, science, and technology to create planned comparable hierarchical organizations and coordinated hierarchical networks. Planning allows machine processes expand comparable production systems so business enterprises can act through strategic investment/divestment, contracts and/or operational policies to extract value (Veblen, 1908a, today see Thompson, 2003; Palpacuer 2006; Baud and Durand 2011, Nolan, 2012). The machine process and business enterprise are de-coupled, but remain tied through private planning (Veblen, 2013). They are conjoined twins: separate entities within a mutually dependent whole. As planning and standardization grow, (lead) capital revolutionizes its own machine process and/or chooses the highest rate of return from machine processes external to it (smaller capitals/suppliers), but within its coordinated network. Put another way, it can pressure labour internally or it can pressure weaker capital within its orbit and hence make this capital's labour compete evermore intensely (Starosta, 2010, Baud and Durand 2011, Froud et al 2012). Once standardization emerges as an achieved and powerful corporate force, the business enterprise ensures measuring, comparing, planning and crisis are increasingly deployed in the search for profit – operational financialisation enacted.

However, standardization also altered the technical composition of labour by replacing craft knowledge and self-organization with a Taylorized production process of semi-skilled 'mass workers' (Negri, 1996). This altered division of labour, within reasonably national economies, shifted labour's political composition away from an emphasis on control of production to one based on the distribution of the ensuing accumulation (Negri, 1996; Meiskins Wood, 2016: 19-49). Hence strikes were no longer about who organised production, but became strikes over the distribution of value – something increasingly viewed as a political, rather than simply a market or economic, problem (Montgomery 1987, Negri 1988).

Having deliberately weakened craft capacity to self-organise production (Negri, 1994: 25.5) capital was forced to plan production for a new semi-skilled and massified working class. In so doing, the transition to monopoly capitalism (1890-1920) generated two problems (Edwards, 1979; 37). Firstly, the process of massification created the industrial working class on a larger scale that afforded it some autonomy (Negri, 1994; Baldi, 1972). Secondly, mass production brought impressive productivity and profit/accumulation increases that altered the social composition of monopoly capitalism. This alteration created a new centrality for production and consumption as the working class became the motor of development (Baran and Sweezy, 1960, Negri, 1994: 38.9; Gramsci, 1971). This centrality was highlighted by the importance of the sit down strike, first used in General Electric in 1918 (Montgomery, 1987; 445) and later, in its use to enforce (some) US and French worker demands for major socio-economic changes in the 1930s (Torigian 1990). The sit down strike, enabled labour in key nodes of the division of labour and organizational supply chains, undermine strategic control. It allowed labour use machine processes to de-stabilise control, tie up capital, halt production, undermine consumption, and profit (Montgomery, 1987).

The Great Crash made the centrality of mass production/consumption evident and ushered in the destruction of laissez-faire capitalism. Perhaps more than most Keynes recognised this shift. He rejected the Versailles Treaty's undermining of vanquished economies because it weakened demand and potentially pushed Germany towards the Soviet Union. Writing in 1925, Keynes saw shifting social forces as evidence of working class and others e.g. women, capacity to challenge capitalism and/or preserve it through consumer demand. He questioned whether or not 'wages should be fixed by the forces of supply and demand in accordance with orthodox theories of laissez-faire or whether we should begin to limit the freedom of these forces by reference to what is "fair" and "reasonable"' (Keynes, 2009; 181) - or should politics decide wages? This implied new levels of accumulation had to be 'productively' invested not speculated away or squandered by a 'leisure class'. These shifting political relations made the working class the threat to, and the source of, capitalism's development (Negri, 1994). Intervention, not laissez-faire, was the future of capitalism because the state itself had to plan how to reinvest accumulation gains.

State intervention occurred before e.g. Bismarck intervened to weaken the German left. However, this intervention was different because it acknowledged working class capacity to develop economies (Negri 1996) – (central here is the creation of 'national' economies which were supposedly self-contained, Christophers, 2013: 244-92, Rodrik 2011). Within this environment, labour became a high cost for capital and simultaneously the point of demand and profit. An important feature of Keynesianism was the belief that crisis and disequilibrium – mainstays of 'finance capitalism' (Davis, 2009) – were no longer viable as motors of economic development (Negri, 1994: 36.7-44.5, Negri 1988)[7]. Echoing Veblen (2013), Keynes (2009: 172-3) pointed to disequilibrium as 'enabling great inequalities of wealth to come about'. This threatened capitalism because it limited working class

consumption (Negri, 1996). Hence, Keynes called for states to direct (national) economies. Because of its importance to consumption and its ability to disrupt production (Torigian, 1999; Montgomery, 1987), working class power shifted social forces. It could demand the business enterprise be subordinated to society – to challenge the untrammelled rights of property (Tawney, 1921), to reinstate the link between wages and productivity (Aglietta 2000), and to 'demand that the modern corporation serve not alone owners or the control but all society' (Bearle and Means, 1991: 312).

Equilibrium, not disequilibrium, was to be society's lodestar (although we should not assume a virtuous cohesion or the inclusion of everyone, Thompson, 2003, Martin 2010). Thus both the growing autonomy and role of the emergent industrial working class, an outcome of the changing division of labour, forces a redistribution of value towards labour. As stated, this autonomy turns the distribution of value into a 'political' rather than a 'market' issue (Negri 1988; 26). Thus, the working class demands new forms of corporate and state governance to limit financialization. Keynesianism ensured the massive productive capacity of monopoly capitalism's machine process was invested in industry, welfare, warfare, etc. This was done to stave off what 1930s economists such as Alvin Hansen called 'secular stagnation' (Magdoff and Bellamy Foster, 2010). Within this process, financialization itself altered - strategic control and planning remained, but these are guided by states, not private enterprise. The role of finance was both diminished and redirected to state national development goals e.g. the military industrial complex. Finally, there was a curtailing of operational financialisation to inhibit shareholder value maximisation.

The New Deal/Keynesianism recognised changed forces precisely to pursue equilibrium located in the new primary economic actor – the reformed state. Social forces located in labour were driving strategic control over economies. In light of this, New Deal legislation was directed at banks (blamed for the crash and malfeasance) – for example, the House of Morgan was divided into Morgan Stanley and Morgan Guaranty. The New Deal split investment from commercial banking, enabled the Federal Reserve Bank regulate loans and limit investing (speculating) in securities, introduced interest ceilings on time and savings deposits via Regulation Q (this generated cheap finance for depository institutions and allowed the state leverage to guide excess capital to investments like Treasury Bills and from speculation in property markets). All of this provided stability by restricting boom and bust speculation (Krippner, 2011: 60-3). From the 1930s onwards, finance was stripped of some of its power, became less international, and more 'boring banking' (Krugman quoted in Bellamy Foster and Holleman, 2010, Christophers, 2013). Emerging social forces (Edwards, 1979) - labour, homeowners, and small business - limited the earlier financialization. Equilibrium was achieved through increasingly secure employment with pensions, permanency, healthcare and other benefits, by maintaining sufficient demand, higher average incomes, and working class consumption. This operated against business enterprise financialisation and disequilibrium. Changes in the division of labour rebalanced social forces and politics against the (private) business enterprise. The alteration of production processes, their massive productive and accumulation capacities, and subsequent determining of new political compositions, first encouraged financialization, but then undermined it to avoid political crisis and secure economic growth (Galbraith, 1954).

Recent social (re)composition: subordinating the machine process to the business enterprise anew

As is well known (Aglietta, 2000), by the 1960s America was unravelling the New Deal. Internal rigidities (workplace conflict, lower productivity growth) and external shocks (new competition) undermined it (Thompson, 2003; 362). Although they underestimated its significance, Baran and Sweezy (1960: 139-41) highlighted the growth of financialization. In their argument, high levels of existing fixed capital capacity meant capital could no longer reap sufficient profit from domestic machine processes (Streeck 2014 suggests in the west, capital went on 'strike' in the 1970s). As a result, in the 1960s and 1970s capital developed a new international division of labour to increase profit, weaken labour, deploy technologies, pit smaller capitals against each other, and globalise production and markets (Hymer, 1970; Danyluk 2017). In the west, globalisation allowed capital to (re)financialise its operations and transactions with suppliers and differentiated labour groups (Tsing 2009, Baud and Durand 2011, Froud et al 2012). This enabled the weakening of (national) 'politics' of distribution in favour of global labour 'markets' (this assumes markets are not political). The altered division of labour led to the decreasing of labour's share of value, rises in inequality, increasing dependence of large swathes of the population on cheap credit, growing reliance on rising property prices as a means of gaining 'stable' prosperity, and an increasing divide of populations into the 'risk capable' and 'risk incapable' in a new accumulation regime built on financialising everyday life (Martin 2010; 423-8, Martin 2002). Accompanying this were capital driven changes in other parts of the globe that led to a huge increase in deskilled manufacturing labour directly or indirectly controlled by large corporations (Freeman 2018, Starrs 2013). For example, between 1994 and 2006 the percentage of the world's labour force working in manufacturing shifted from 22 percent to 30 percent (Freeman 2018; xiii).

The machine process is central here. As Veblen's analysis (2013: 11) anticipates, by the 1970s capital restructured through an international machine process. This allowed

corporations re-route divisions of labour and plan across larger organizational and spatial terrains to pursue cheap labour, weaker capitals, new markets, pliable states, and value extraction (Harvey 1989). This process was intensified by communications improvements. New technologies enhanced comparability, centralised management, hollowed out middle management discretion, and made spatial and temporal distance easier to control (Baldwin, 2016: Danyluk 2017). Most especially, containerisation made it possible for firms like Nike to subcontract and concentrate the production of their goods in a limited number of regions or even within single factories. This changed division of labour allowed firms eradicate inventories, use just-in-time production techniques, etc. because standardised machine processes ensured huge numbers of subcontracted employees were brought on stream at short notice to produce enormous amounts of goods. For example, in 2007 just before its iPhone launch, Apple switched from plastic to glass screens, which led to eight thousand migrant Chinese workers been awakened in their dormitories and put to work when the glass screens arrived. The plant was soon producing ten thousand phones daily (Freeman, 2018; 297). Alone, China has approximately 270 million migrant workers (more than the total number of workers in the US), so the standardised division of labour's capacity is now monumental. This is especially so amongst dormitory workforces where the working day and absolute surplus value is extended and greater control of the production (and reproduction) of labour is exercised (Pun and Smith 2007, Freeman 2018). Industrial urban factories also avoid social welfare payment and because Chinese social welfare is tied your place of origin not your workplace, these factories are essentially subsidised by rural local governments (Freeman, 2018; 296).

As such, major corporations coordinated GVCs to allow them act as the 'systems integrators' or 'organizing brains' of spatially far flung 'coordinated firms' (Nolan, 2012: 17; Baldwin,

2016). This enabled capital refresh its access to labour's diversity and weaken labour in its core heartlands through operational financialisation. Most obviously, corporate America used its expansion and control of GVCs to exert further dominance in at least six of the leading twenty five industrial sectors (including finance), improved its position in a further four, grew its foreign assets and/or control of foreign firms, and dominated all the most lucrative industrial sectors (Starrs, 2013; Table 1). Corporations exerted such pressure by operationally squeezing GVCs and degrading labour conditions, extending absolute surplus value extraction, and controlling social reproduction more tightly (Freeman 2018, Mezzadri 2018, Tsing, 2009, Pun and Smith 2007). Furthermore, corporations also tightly controlled suppliers through routine transactions and activities (Baud and Durand, 2011, Froud et al 2011, Nolan 2012). Standardisation of production processes in an international division of labour ensured corporations leveraged their business enterprise capacity by threatening investment/divestment (or the use of intangible assets). Indeed, globalisation, or a spatially more extensive financialisation (Fine 2013, 55), has rendered the old way of assessing an economy's strength via national accounts as being of dubious accuracy (Starrs, 2013). These alterations highlighted 'the central paradox: the less important spatial barriers, the greater the sensitivities of capital to the variations of place within space, and the greater the incentive for places to be differentiated in ways to attract capital' (Harvey, 1989: 295-6). In a manner that shares continuities with the beginning of the twentieth century, the new international division of labour allowed capital globalize standardized production processes and play diverse labour groups and weaker capitals off each other (Tsing, 2009; Baldwin, 2016, Freeman 2018). For these reasons, UNCTAD (2017) suggest the Top 100 global corporations can extract 40 per cent of their profits from rentier like activities.

In light of these events, simultaneously towards (e.g. globalisation) and away (share of value) from labour, capital sought out new financialised investment opportunities. US corporate capacity utilisation declined from 85 per cent in the 1970s to 75 per cent today and thereby undermined the opportunities for investment in onshore production. Yet at the same time, operating surpluses of US enterprises were 24 per cent as technology and global production system revenues came on stream. The international division of labour enabled capital intensify the measurement and comparability of labour (often housed in weaker capitals) to increase profit, and distribute it away from labour. For example, Apple's financialised business model allowed it accumulate $253 billion in offshore cash. This excess is retained as overseas cash, so that today US firms, who do not wish to pay taxes on profits, have an estimated $5 trillion in offshore cash (Magdoff and Bellamy Foster, 2010). Similarly, UK non-financial firms increased their cash reserves from £220bn in 2000 to £646bn in 2007 (Christophers, 2011; Fig 7). These changes in the division of labour explain why the Japanese firm Uniqlo - Asia's largest clothing company - is a highly profitable business enterprise R&D and market research firm with strategic control of its producers/suppliers, that 'produces nothing' (Baldwin, 2016: 174), or why Nike too, is not a manufacturer (Tsing, 2009). Such strategic control and financialised activities in operations and the pursuit of shareholder value are far from rare. Indeed, so widespread are they that Starrs (2013) and Nolan (2012) question whether China can challenge the USA.

Importantly, such corporate behaviour reshapes the state's capacity to act. In the contemporary economy, rather than being driven by state investment, these profits are invested in private sector financialization – property bubbles, share buy backs, mergers and acquisitions, squeezing labour and suppliers, etc. Furthermore, today, and in contrast to the 1920s, US corporate profit from finance peaked at 44 per cent as a total of domestic corporate

profits (up from 17 per cent in the 1960s) so that financialization replaced production as the source of profit even as global production's operational financialisation grew (Krippner 2011; Magdoff and Bellamy Foster, 2010). Within this, the state's role has altered because the international division of labour enabled capital escape (parts of) the national economy and its role as the planner of the economy. The production push overseas, global accumulation, and a lack of profitable (western) productive investment opportunities shapes the current financialisation period by creating a new role for the state in this period of financialisation. The state is now the 'lender of last resort' rather than the primary economic planner. Its task shifts from preventing crises to one of repairing the damage of financialization bubbles (market crash 1987; Japanese asset/price bubble 1992; UK ERM crisis 1992; Mexican financial crisis 1994; Asian financial crisis late 1990s; dot.com crash 2000; financial crisis 2008). Here, the state socialises risk and loss to facilitate the (now global) business enterprise in its search for disequilibrium and crisis.

Conclusion

This paper demonstrates how financialisation and social (re)composition located in the division of labour intertwine. These relations centralise and subordinate labour to standardization, disequilibrium, and crisis and thereby intensify pressure on labour (and smaller capitals) to improve its 'competitive capacity to produce surplus value' (Bryan et al., 2009, 467). Within this, labour is controlled at arm's length, by the business enterprise. However, without the standardised division of labour and labour's diversity, business enterprise financialization cannot succeed because it feeds off disequilibrium and crises generated through the capacity to measure, benchmark, and compare inherent within machine

processes. Capitalists want to say "we can get a return of X here but of X+1 there and hence we will move unless labour is further squeezed". Rather than financialisation being completely new, we are re-financialising the economy, but with twenty-first century characteristics. Financialization is the enacting of the longstanding tendency to extract and redistribute upwards.

In this rendition, financialization's growth is related to a social (re)composition located within the division of labour and it is this which allows corporations and states alter priorities. Furthermore, the (re)composition of social forces in the old and new industrial heartlands suggests the end of contemporary financialization will not come any time soon. Indeed what we have witnessed with recent crises, unlike the Great Crash, has been an intensification of financialization rather than its abandonment, and the emergence of the state as a lender of last resort (Nolan, 2012). However, a change of state or management priorities cannot come about unless social forces located within the division of labour are recomposed to demand it. Hence the solution to financialization and instability must be, like the production process itself, global. This appears some way off and hence social, economic, and political instability will most likely remain with us in the medium term.

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[1] This appears to be a circular argument – national labour movements encouraged nation-states to reject early financialisation, whereas today nation-states do not want to, or cannot, resist financialisation. However, the paper demonstrates how this emerges due to shifting social forces.

[2] Today the Foundational Economy Collective (2018; 72) refer to this transfer of value from the operational process to the holding company as 'extraction at "point value"' and suggest it is rife in major privatised industrial sectors of what they call the foundational economy.

[3] The labour problem had not disappeared (Brody, 1987, Montgomery, 1987). But this unrest was a day to day managerial problem to ensure a firm or unit was competitive and hence a survivor/gainer of disequilibrium. We should think of this as management rather than ownership/control. Like today, financialization means pressure is exerted on labour to 'deliver competitive rates of surplus value' (Bryan et al., 2009,:p 467)

[4] Although it generated new skilled roles e.g. craftsmen had to make the machines used in standardised production processes, it destroyed more skilled jobs than it created (Freeman, 2018; 120).

[5] Carnegie Steel also controlled costs through strategic (but not full legal) ownership of other firms e.g. HCF Coke Company. It used this control to purchase the coke necessary and produce steel at $1.35 per ton when rivals paid $3.25 per ton (Standiford, 2005, 260-1)

[6] A similar process can be seen in the railway industry where union led efficiency drives, new production processes, and the creation of a two tiered labour market of secure and temporary workers with different rights, led to profit increases that were not passed on to labour (Montgomery, 1987; 423)

[7] Whilst not a central focus of this paper, the emergence of labour as a national force (with international overtones) perhaps acted as a driver for the Keynesian need to establish national economies in the manner Christophers (2013) highlights.