THE POLITICAL ECONOMY OF GLOBAL LABOR ARBITRAGE

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Abstract

This paper analyzes the fundamental role of wage differences in the efforts undertaken by major multinational corporations to restructure their productive, trade, financial, and service strategies under the aegis of neoliberal globalization. We are especially interested in underscoring the way in which these disparities, by means of geographic relocation and the redistribution of productive processes, have become an easily accessible and apparently inexhaustible source of extraordinary earnings. This situation has given rise to the entrenchment of unequal development between central and peripheral countries and a new international division of labor characterized by the direct and indirect exportation of the most valuable commodity for capital: the labor force.

Keywords: Labor arbitrage, wages, productive restructuring, labor force, capital-labor.

INTRODUCTION

The global labor arbitrage strategy currently favored by major multinational corporations has become a key factor in the restructuring of the international political economy. The neoliberal age has ushered in a new phase in the history of contemporary capitalism and imperialist rule, based on the exploitation of a cheap and flexible workforce, primarily based in peripheral countries. We therefore posit that monopolistic capital has found an easy and apparently inexhaustible source of extraordinary profit: the polarization and intensification of wage differences between central and peripheral countries. This potential for the appropriation and transfer of surplus value has been further facilitated by the information and communication technology revolution, the imposition of structural adjustment programs in the peripheral world, and the tremendous expansion of the international industrial reserve army, particularly as a consequence of the dismantling of the former Soviet Union and the incorporation of China into the global labor market.

The purpose of this paper is two-fold. First, we aim to elucidate the practical and theoretical foundation to understand global labor arbitrage from the perspective of the Marxist political economy. Second, we will analyze some of the principal implications of global labor arbitrage in the context of neoliberal globalization, such as: a) its relevance in the configuration of global production, trade, finance, and service networks as the prevailing corporate strategy; b) its dialectic relationship...
with the intensification of unequal development; c) its crucial role in the emergence of a new international division of labor and the parallel advent of new modes of unequal exchange; and d) its relevance for a new perspective of the current labor question.

WHAT IS GLOBAL LABOR ARBITRAGE?

For the purposes of our analysis, we find it necessary to recall that in the capitalist mode of production, the laborer is dispossessed of access to his means of production and subsistence, which turns his labor power into a commodity. However, labor power is not just any commodity, as it is the only one that is capable of creating value. When it is exchanged for a wage with the owner of the means of production, the capitalist, therein arises a relationship of unequal exchange, which enables the latter to appropriate a significant portion of the value generated by the worker in the production process: the surplus. The secret underlying said unequal exchange, which is in fact the essence of the capitalist mode of production, is that, in exchange for the value he generates (e.g., the product of his labor), the laborer receives a wage equivalent to the cost of the reproduction of his labor power or, as Marx wrote: “determined by the value of the necessaries required to produce, develop, maintain, and perpetuate the labouring power” (1969, 17). Marx introduces this premise, which is fundamental to the analysis of capitalism, in the first section of *Capital*, asserting:

The value of labour-power is determined by the value of the necessaries of life habitually required by the average labourer. The quantity of these necessaries is known at any given epoch of a given society, and can therefore be treated as a constant magnitude. What changes, is the value of this quantity. There are, besides, two other factors that enter into the determination of the value of labour-power. One, the expenses of developing that power, which expenses vary with the mode of production; the other, its natural diversity, the difference between the labour-power of men and women, of children and adults. The employment of these different sorts of labour-power, an employment which is, in its turn, made necessary by the mode of production, makes a great difference in the cost of maintaining the family of the labourer, and in the value of the labour-power of the adult male. Both these factors, however, are excluded in the following investigation (1975 [1867]: 629).

To understand the notion of labor arbitrage, it is necessary to go beyond this level of abstraction and remember that the wage, or the cost of the reproduction of the labor power, has two dimensions: one material and one cultural, which are historically and nationally determined by the type of labor in question. In his text, *Value, Price, and Profit*, Marx wrote:
Besides this mere physical element, the value of labour is in every country determined by a traditional standard of life. It is not mere physical life, but it is the satisfaction of certain wants springing from the social conditions in which people are placed and reared up (1976 [1865]: 68).

Regarding the wage differences that exist both within and between countries, it is notable that Marx underscores the pressure exercised by the labor reserve army. Another point he highlights, which reinforces the recognition of wage differences between countries, is as follows:

By comparing the standard wages or values of labour in different countries, and by comparing them in different historical epochs of the same country, you will find that the value of labour itself is not a fixed but a variable magnitude, even supposing the values of all other commodities to remain constant (1976 [1865]: 69).

As such, the costs of subsistence and reproduction vary considerably, depending on historical, cultural, and national conditions, which is why wages can also vary considerably.

What is important to emphasize here is that throughout the history of capitalism, and especially with the advent of imperialism in its advanced stage, asymmetries between counties have tended to grow and widen (as a result of the trend towards unequal development inherent to this mode of production). As will be seen below, in the framework of neoliberalism, this tendency is exacerbated and reaches an unprecedented magnitude. In turn, the explosive growth of the industrial reserve army and its unequal distribution in space has generated and entrenched the already enormous wage gap between countries, as will be shown in Table 1.

This situation, in conjunction with favorable technology, demographic, economic, and political conditions, has made it possible for multinational corporations to move their productive, commercial, and financial activities, as well as other services, into peripheral regions of the global economy to take advantage of the already wide wage gaps. In essence, this is a new form of imperialist expansion, which is exacerbating the trend whereby asymmetries between countries and regions become even more entrenched and social inequalities become increasingly polarized at the international level. Moreover, this strategy produces consequences not only for the working class of peripheral countries but also for the overall working class in general.
As developing countries provide an increasingly skilled workforce, developed nations’ ability to differentiate themselves is dissolving, and the companies operating in those countries no longer need to pay their workers a premium. The most widespread and lasting impact of the maturation of global labor arbitrage is the decline in real wages in the developed nations (Hansen, 2005: 7).

As such, the tremendous growth of the global industrial reserve army as a result of, as we shall see below, the incorporation of the labor power from countries in the former Soviet Union, China, and India to the global capitalist labor market, combines with growing social inequalities and wage differences associated with historical, cultural, and national parameters. This has produced highly profitable conditions for multinational corporate strategies with regard to global labor arbitrage.

### Table 1. Labor Cost Differences. Average Hourly Compensation for Manufacturing Workers (in United States Dollars)

<table>
<thead>
<tr>
<th>Country</th>
<th>2012 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China (2008)</td>
<td>1.36</td>
</tr>
<tr>
<td>Philippines</td>
<td>2.10</td>
</tr>
<tr>
<td>Mexico</td>
<td>6.36</td>
</tr>
<tr>
<td>Poland</td>
<td>8.25</td>
</tr>
<tr>
<td>Brazil</td>
<td>11.20</td>
</tr>
<tr>
<td>South Korea</td>
<td>20.72</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>31.23</td>
</tr>
<tr>
<td>Japan</td>
<td>35.34</td>
</tr>
<tr>
<td>United States</td>
<td>35.66</td>
</tr>
<tr>
<td>Canada</td>
<td>36.59</td>
</tr>
<tr>
<td>Holland</td>
<td>39.62</td>
</tr>
<tr>
<td>Germany</td>
<td>55.79</td>
</tr>
<tr>
<td>Australia</td>
<td>47.68</td>
</tr>
<tr>
<td>Norway</td>
<td>63.36</td>
</tr>
</tbody>
</table>

IMPERIALISM TODAY: THE RESTRUCTURING OF MONOPOLISTIC CAPITAL

While the privileged position of the “labor aristocracy” in central countries has deteriorated under the aegis of neoliberalism, the dominant upper echelons of global capitalism continue to be solidly bolstered by the growing monopolization of productive, financial, and commercial services by a handful of major multinational companies. Upon expanding its operations, monopolistic capital has created chains of production, financing, distribution, and global investment. This has allowed companies to take over the most strategic and profitable sectors of peripheral economies and appropriate the economic surpluses generated, at an enormous social and environment cost. In this way, even as the workforce has been facing increasing global competition, it has also had to deal with capital that is ever more centralized and concentrated, which has diametrically altered the power correlation among classes in favor of capital. Now more than ever, monopolistic capital has become the dominant factor in the international political economy. Through mega-mergers and strategic partnerships, this fraction of capital has reached never-before-seen levels of concentration and centralization: the 500 largest multinational corporations in the world now account for between 35% and 40% of global income (Foster et al., 2011a). Even more striking is the fact that, in the neoliberal age, monopolistic capital has undergone a profound process of restructuring based on the comparative advantage provided by, among other factors, labor arbitrage. This process is characterized by:

- The emergence of global networks of monopolistic capital that arose from a restructuring strategy led by major multinational corporations, which, through outsourcing and subcontracting chains, have transferred portions of their productive, commercial, financial, and services processes to peripheral countries in search of cheap labor and the extraction of natural resources. The export platforms that operate as enclave economies in peripheral countries are one clear example of this strategy. This shift towards global production chains is truly impressive: “The top 100 global corporations had shifted their production more decisively to their foreign affiliates [in the South], which now account for close to 60% of their total assets and employment, and more than 60 percent of their sales” (UNCTAD, 2010). This represents a situation whereby a new “nomadism has emerged within production, with locational decisions determined largely by where labor is cheapest” (Foster et al., 2011a: 18). Moreover, one notable feature of contemporary global capitalism is the degree to which networks—by which the operations of major multinational corporations dominate international trade—are articulated and integrated. At least 40% of all cross-border trade is related to outsourcing operations, including subcontracting and trading between affiliates of the same company (intrafirm trade) (Andreff, 2009). It is also estimated that in the capitalist peripheral region, 85 million workers are directly employed at
assembly plants and there are more than 3,500 processing zones located in 130 countries (McKinsey, 2012). This restructuring strategy has transformed the global production geography to such an extent that currently, the majority of industrial employment in the world (more than 70%) is found in peripheral countries (Foster et al., 2011b).

- **The restructuring of the innovation systems** involved in the implementation of mechanisms such as the outsourcing of science and technology innovation processes (including offshore subcontracting), which allows multinational companies to benefit from the research conducted by scientists in peripheral and emerging countries. This restructuring reduces labor costs, transfers risks and responsibilities, and capitalizes on the advantages of controlling the patent process. This restructuring is distinguished by the concatenation of four general aspects:

a. **The growing internationalization and fragmentation of research and development activities.** This trend is known as open innovation and contrasts sharply with traditional innovation processes, which are “closed-door” and take place inside of the research and development departments housed at multinational corporations. In turn, this indicates that innovation is taking place through the application of knowledge-intensive corporate functions, and that said knowledge is being shared by a growing network of external partners (which includes suppliers, clients, subcontractors, universities, etc.), to create innovation ecosystems (OECD, 2008).

b. The creation of science cities, such as Silicon Valley in the United States and the new Silicon Valleys that have been established in peripheral countries or regions, principally in Asia (which operate as sort of scientific maquiladoras), where collective synergies are generated to accelerate innovation (Sturgeon, 2003; Saxenian, 2006).

c. The development of new methods to control research agendas through venture capital, business partnerships, and subcontracting, among other methods, as well as the appropriation of products generated by scientific work (through the acquisition of patents) by major multinational corporations.

d. The rapid expansion of a highly-qualified workforce in peripheral nations, especially in the fields of science and engineering, which multinational corporations are exploiting for the purposes of research and development (R+D) in peripheral countries, with recruitment through business partnerships, outsourcing, and offshoring (Battelle, 2012). In fact, this spatial restructuring of research and development has crystallized into a **new geography of innovation**, in which, following the pattern of industrial production, R+D is being shifted to peripheral economies. In fact, this trend can also be considered as an advanced stage of development of the global networks of monopolistic capital, insofar as the New International Division of Labor rises in the added-value chain and incorporates R+D, and monopolistic
capital appropriates the productivity and knowledge of the highly-qualified workforce of peripheral and emerging countries.

These changes in the international political economy (the growing concentration and integration of global networks through monopolistic capital, the rise of a new geography of innovation, as well as the creation of a so-called scientific maquiladora) are closely tied to the following trajectories of contemporary capitalism (Foster et al., 2011a; Gallagher and Zarsky, 2007):

- **Financialization**, which refers to the rise and predominance of financial capital over other capital fractions (Bello, 2005: 101). The ascent of financial capital began at the end of the 1960s as a result of a crisis of over-production, when German and Japanese capital began to recover from the devastation of the Second World War and began to compete with United States capital in global markets (Brenner, 2002). In response to the dearth of profitable investment in production, capital began to move towards financial speculation. Likewise, the downward pressure on real wages driven by global labor arbitrage led to a debt explosion primarily in the financial sector, which has permitted production to find channels, albeit unstable and unsustainable, for its eventual realization. Ultimately, this led to the financialization of the capitalist class, industrial capital, and corporate profits, which has given rise to the explosion of fictitious capital, that is, financial instruments with no counterpart in material production (Foster, 2010).

- **Environmental degradation and the ecological crisis** have intensified due to the fact that the world continues to over-consume natural resources and industrial production based on hydrocarbons is still growing. The increase of urbanization and industrialization in Asia, especially in China, has continued to boost the demand for raw materials. This, together with the change whereby commodities are no longer investment assets and are becoming speculative assets for financial capital, generated a commodities boom starting in 2002. High commodities prices have driven the exploration and production of non-renewable natural resources in remote geographic regions—deep within forests and oceans—in the process exacerbating territorial and water-related conflicts (Veltmeyer, 2013). This new extractionist wave has aggravated environmental degradation, not only with the expansion of the geography of destruction, but also with the environmental regulatory arbitrage strategy of extractive capital (Xing and Kolstad, 2002). Moreover, in spite of the severe warnings that the Intergovernmental Panel on Climate Change has been proffering up for the past 25 years, global consumption of fossil fuels continues to rise, "triggering a cascade of cataclysmic change, including extreme heat waves, declining global food stocks, and a rising sea level, that will affect hundreds of millions of people" (World Bank, 2012: xvii).
Because the revenue earned by some of the most powerful multinational corporations in the world depends on consuming fossil fuels, the most likely scenario is that this pattern will persist, which will only further heighten the global environmental crisis.

The cumulative effect of all of this is that neoliberal capitalism is facing a profound multi-dimensional crisis (i.e., financial, economic, social, and environmental crises), undermining the principal sources of wealth creation—labor and nature—to such an extent that it could even be characterized as a crisis of civilization. That is why it is crucial to push for radical social transformation, which will, among other things, entail the need to foster an agent of social transformation capable of taking on the current prevailing power structure.

THE SPREAD OF UNEQUAL DEVELOPMENT AND THE RISE OF A NEW MODE OF UNEQUAL EXCHANGE

One fundamental and inevitable feature of capitalism in its current form—i.e., neoliberal globalization—is unequal development. The global and national dynamic of capitalist development, the international division of labor, the imperialist system of power relations, and the conflicts surrounding the capital-labor relationship and the dynamics of extractionist capital have made economic, political, and cultural polarization between geographic spaces and social classes even more extreme, exacerbating these gaps to record levels in the history of humanity. One rather apparent result of this form of development is the disproportionate concentration of capital, power, and wealth in the hands of a small elite within the capitalist class. Today, the wealthiest 1% of the global population holds around 40% of total global assets (Davies et al., 2008). Moreover, “From 1970 to 2009, the per capita GDP of developing countries (excluding China) averaged a mere 6.3% of the per capita GDP of the G8 countries” (Foster et al., 2011a).

In promoting this trend, global labor arbitrage has become the fundamental pillar of the new global architecture. As has already been pointed out, arbitrage refers to the advantage gained by seeking lower wages abroad. This allows capital to appropriate enormous monopolistic profits, or imperial rents, by taking advantage of the relative labor immobility and existence of subsistence (or even lower) wages in many of the countries in the capitalist periphery. Labor arbitrage is as sine qua non mechanism through which social and geographic asymmetries are reproduced on the global scale. Social inequalities constitute one of the most concerning aspects of this process. This growing disparity is also expressed in more marked terms in race, ethnicity, and gender relations, as well as in the progressive dismantling of social safety nets.
One fundamental mechanism in the rise of this new global architecture and its inherent tendency to generate unequal development is the implementation of structural adjustment programs in a good portion of the peripheral countries, as well as in countries belonging to the former socialist bloc. These programs have become the vehicle to de-articulate the economic apparatuses of the periphery and rearticulate them to central capitalist economies, in asymmetrical and sharply subordinate conditions. In particular, these programs have served the needs of capital through the exportation of the workforce in two ways, one direct and the other indirect, which are both key so as to conceptualize this process. On the one hand, the indirect exportation of the workforce (the disembodiment of labor) is associated with the configuration of global networks of monopolistic capital through outsourcing, offshoring, and subcontracting, as described in the above section (Delgado Wise and Márquez, 2007; Delgado Wise and Cypher, 2007). In this case, the principal input of domestic origin incorporated into the exported commodities is the work employed in each of the assembly, service, and trade processes. On the other hand, the direct exportation of the workforce refers to international labor migration, which mainly consists of south-north and south-south flows. In fact, of the 214 million migrants, 156 million (72%) come from the south or from the capitalist periphery (World Bank, 2011).

It is essential to note that the exportation of the workforce, that is, the exportation of the commodity most critical to the functioning of the capitalist mode of production, underlies the materialization of a new international division of labor in the central-peripheral relationship. In turn, this has given rise to new and extreme modes of unequal exchange. Regardless of the centrality of the concept of unequal exchange in decades prior, which helped to explain the dynamics of unequal development, the nature of these ties between developed and emerging or peripheral countries (from the perspective of the Economic Commission for Latin America and the Caribbean (ECLAC) and also for dependency theorists), it is necessary to revisit this and recodify it for the analysis of contemporary capitalism. In this regard, it is important to bear in mind that the majority of the debate about unequal exchange has historically been, and continues to be, limited to an analysis of the international division of labor, which situates the peripheral countries in the role of sources of raw materials and developed countries as suppliers of industrialized goods. Although this division is still relevant for a significant number of peripheral nations, it is less so for the new relationship between central and peripheral countries. Some recently industrialized peripheral countries, especially in Asia, are increasingly playing the role of suppliers of industrialized goods. Even more important is the fact that, in the age of neoliberal capitalism, a new factor has been thrown into the mix of the classic mode of unequal exchange, which is increasingly taking on a starring role: the direct and indirect exportation of the workforce.

In order to analyze this factor, in its two variations, it is important to note that these mechanisms of unequal exchange are more detrimental to peripheral countries than mechanisms for the exchange of raw materials for manufactured goods. On the one hand, the indirect exportation of the
workforce, tied to the participation of peripheral countries in the adding of value to the production chains of goods, brings with it a net transfer of profits abroad. This represents an extreme form of unequal exchange, which implies the transfer abroad of practically the entire surplus generated by the workforce employed at the maquiladoras (assembly plants) or in the export (or maquila) processing sector. This is a sort of transfer of unequal exchange between capital and labor, which is at the heart of the capitalist mode of production, the exchange between peripheral and central countries. This mechanism, which revives the colonialist logic of the export enclave, curbs any growth or economic development that could be derived from the labor process carried out, under the guise of manufacturing exports, in the peripheral country. In fact, its principal contribution to the national accumulation process is limited to a meager flow of income coming from the low wages that, in the best of cases, amount to a small multiplicative effect present in consumption. Moreover, the installation and operation of assembly plants in peripheral countries is customarily supported by generous subsidies and tax exemptions, which places the weight of the reproduction of the labor power on the shoulders of the governments of peripheral countries (which therefore undermines tax collection), while simultaneously triggering collateral damage as the labor market becomes increasingly precarious and the environment is destroyed.

There is another aspect to the indirect exportation of the workforce which has started to gain momentum in the context of peripheral or emerging countries. We are talking about the creation of science and technology complexes, which, as has already been seen, are restructuring the innovation systems in some more developed countries, headed up by the United States. Through these complexes, which work through subcontracting agreements, partnerships, or other similar approaches, intangible benefits are transferred abroad, whose value and strategic significance go far beyond the net earnings derived from the maquila industry and assembly plants. In this case, we are referring to the transfer of technical and development capacities, which take the form of competitive advantages and extraordinary profit, and move in the direction from peripheral to developed countries.

In addition, the direct exportation of the workforce through labor migration entails the transfer of the future anticipated benefits that arise from the costs of the training and social reproduction of the labor power that emigrates. These costs, as shown in the case of Mexico, are not compensated for by the inflow of remittances (Delgado Wise et al., 2009). In demographic terms, this results in the transfer of the so-called demographic bonus from peripheral to central countries, especially for countries in an advanced stage of demographic transition, where falling birth rates have generated a situation in which the working-age population is decreasing as compared to the number of people not yet old enough to work and the number of retired adults. Consequently, in a profound sense, this transfer entails the loss of the most important resource for the accumulation of capital in the country of origin: its workforce. Even worse, the exportation of a highly-qualified workforce exacerbates this problem by seriously reducing the capacity of the sending country to innovate to its
own benefit or promote its own technology-intensive development projects. This can also be conceptualized as a sort of expropriation and the growing privatization of the intangible commons that are part of the patrimony and development potential of peripheral countries (Ramis, 2014).

Any analysis of these new modes of unequal exchange brings with it methodological and empirical challenges that require a change in the perception and characterization of the categories typically employed to interpret contemporary capitalism. Not to disregard the significant contributions made by the ECLAC, which have certainly helped researchers to understand these new modes of unequal exchange (especially with respect to the central role of science and technology progress), it is also important to put on the table Marxist theories of unequal exchange in both aspects. Both in a strict or restricted sense as well as in a broader or looser sense, these theories provide a solid and fertile conceptual ground to advance in the conceptualization of emerging modes of unequal exchange implied in the direct and indirect exportation of the workforce (Emanuel, 1972). On the one hand, in the strict or restricted sense, the unequal exchange situates at the core of the analysis the wage differences (or more precisely: difference between surplus rates) derived from the barriers that impede labor mobility. On the other, in the broader or looser sense, unequal exchange amplifies these differences to include the value emanating from the distinct components of capital, such as the differences derived from scientific and technological progress (Críticas de la Economía Política, 1979). It must be taken into account that the internationalization of capital in the framework of neoliberal globalization incessantly seeks to lower the cost of labor, including for highly-skilled work, while simultaneously aiming to maximize the transfer of surplus generated by that labor in peripheral countries to developed nations, which, in essence, coincides with the purpose of exploiting the advantages derived from global labor arbitrage.

THE LABOR QUESTION TODAY

One of the principal motors of neoliberal capitalism is, consequently, cheap labor. The cost of labor can be reduced in multiple ways, insofar as capital exploits the advantages of the tremendous oversupply, which is expressed in the worldwide increase in unemployment and precarious employment. With the collapse of the Soviet Union, the incorporation of China and India into the global market, and the implementation of structural adjustment programs (including privatization and labor reform) in the so-called Global South, the supply of labor available to capital has more than doubled over the past two decades, going from 1.5 to 3.3 trillion, which Richard Freeman (2006) has coined the “great doubling.” This rapid expansion of the global industrial reserve army has been far more dramatic in (ILO, 2008).
The size of the labor reserve is dialectically related to abysmally low wages and the chronic lack of decent employment (i.e., jobs with dignified wages and job security), the mark of contemporary capitalism, as this global oversupply has pushed the wage structure down, and increased the overall degree of precariousness for the workforce. According to estimates made by the International Labor Organization (ILO), the number of workers facing inadequate job security reached 1.5 trillion people in 2009, a figure that accounts for more than half of the global workforce, as well as the 630 million who earn less than two dollars a day, while the number of unemployed continues to rise (ILO, 2011). In turn, this has exacerbated structural pressures, as people choose to migrate, both within their countries of origin and abroad, in extremely vulnerable circumstances.

Neoliberal capitalism has restructured the labor markets and configured the global working class in the following ways (Márquez and Delgado Wise, 2011a): a) the creation of a disperse and vulnerable proletariat, at the beck and call of the global networks of monopolistic capital; b) the covert proletarianization of highly-skilled science and technology workers; c) the real or masked proletarianization of rural workers; d) the semi- or under-proletarianization of migrant workers; e) the expansion of the industrial reserve army and with that, the advent of new forms of poverty and the rise of a class in the shadows of society, with no chance and no hope to obtain a dignified job; and f) the subordination and resistance of intellectual workers.

Under the circumstances promoted by neoliberal capitalism, then, labor conditions are fiercely eroding social wages, while the welfare system has also been weakened and is gradually tending towards the exclusion of subordinated classes from accessing basic social needs. This triggers a capitalist “development” trajectory, which ends up casting aside, impoverishing, and overexploiting the workforce.

Growing and recurring violations of basic labor and human rights perpetrated by the economic and political forces of neoliberal globalization have created a situation of systemic violence and human insecurity, which beset the majority of the world population, essentially making the Universal Declaration of Human Rights nothing more than words on a page.

FINAL COMMENTS

The notion of global labor arbitrage constitutes a vital tool to understand and explore the nature of contemporary capitalism, i.e., neoliberal globalization. This notion is grounded in essential categories to comprehend the nature and dynamics of capitalism from the perspective of the Marxist political economy, beginning with the relationship between capital and labor and the value of labor power, particularly with the surplus. As we descend dialectically from the abstract to the
concrete, global labor arbitrage helps to deepen our understanding of how capital creates its own geography, by taking advantage of and reproducing wage differences that arise in different historical, social, political, economic, and cultural contexts, as well as the dynamics of the unequal development that is inherent to capitalism. If we go back to its roots, this is the story of imperialism which, in its current phase, the neoliberal era, is characterized, among other ways, by a formidable and relentless attack on the living and labor conditions of the working class worldwide. This process, marked by the intensification of asymmetries between countries and regions, as well as unprecedented social polarization, sits against the backdrop of a scenario in which the contradictions of the capitalist system are exacerbated, which, until recently, seemed unimaginable, and has brought on a profound crisis of civilization that affects and endangers all of humanity.

Global labor arbitrage is emerging at a key moment for business strategies and the productive, commercial, financial, and service restructuring that major multinational companies are undertaking, as well as imperialist domination. As such, it entails serious theoretical and conceptual challenges with regard to the operation of the law of value in the new global order (or disorder). The enormous wage differences between countries and regions seem to indicate that we are witnessing the reign of labor overexploitation (i.e., a situation in which wages are below the value necessary for the workforce to socially reproduce). The issue here is fairly simple: we have entered a new mode of capitalist production. Even if we acknowledge that labor power might have different, and even contrasting, values in different latitudes (given the legacy of colonialism, neocolonialism, and extreme forms of imperialist domination), many questions remain. Among these are the following: How can we understand the laws of capitalism characterized by the rule of monopolistic capital, which penetrates all levels of the social life, while promoting the myth of the free market? How can we understand the logic of price formation within the dynamics of financialization (fictitious capital) and the resurgence of rampant natural resource extraction, which threatens to destroy the foundation of our ecosystems? These and other contradictions demand enormous theoretical and analytical effort from the progressive intelligentsia to disentangle the complex reality in which we live and contribute to social transformation to benefit the working classes. We must not lose sight, in this perspective, of the fact that neoliberal globalization is characterized by the generation of numerous forms of social exclusion, precariousness, and divisions within the heart of the working class throughout the entire world. However, from below, from the creative practices of anti-system social movements, new and varied forms of organization and popular power are emerging, whose resistance and rebelliousness illuminate alternate paths of struggle, able to make cracks in the prevailing system and progress towards radical social transformation (Zibechi, 2008).
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2 The term arbitrage is here used in the economic sense (rather than legal), to refer to the “exchange of market securities or commodities, to profit by exploiting the price differences between two markets” (http://www.wordreference.com/definicion/arbitraje). This term has been adopted by the international community to refer to, in the case of job remuneration, the wage differences between countries (authors’ note).

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4 Idem.