Financialisation, Labour Market Flexibility, and Global Crisis

Byasdeb Dasgupta

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The present paper is an attempt to pose the question of global finance as is imminent in what is today known as the financialisation process vis-a-vis labour in the global capitalist development. The current global crisis will remain at the focus of our attention while we study this inter-relationship. In our rendition, globalization, global capitalism, neoliberalism and financialisation are distinct but mutually inter-related processes. The post-Bretton Woods period (that is the period beginning with the first oil price shock in 1973) saw the emergence of liberalized finance which is strengthened by neoliberalism as an economic doctrine. Neoliberalism as an economic doctrine signifies free market centric economy based upon the logic of market efficiency and competitiveness. It is based upon the three fundamental premises: (a) market should replace state as conductor of an economy since free market (bereft of any state regulation, intervention and control) can only ensure neoclassical efficiency and promote perfect competition adjudged to be the most ideal form of market in the mainstream economics; (b) private initiative and private investment should be encouraged over public initiative and public investment as the latter is held inefficient and not profit oriented whereas the former is efficient and profit-oriented since profit should be the sole criterion for any productive activity; and (c) foreign capital should supplement, if not replace, the domestic capital with the understanding that foreign capital is growth augmenting and economic development should be growth centric. In this entire neoliberal globalization process economic development is made contingent upon availability of foreign capital in the domestic economy.[1] Development will not take place, as is claimed by the proponents of neo-liberal globalization, unless the domestic economy fails to attract foreign capital. And foreign capital would not come unless the economy becomes a free-market economy bereft of any government control and regulation – a laissez-faire economy. Competition should be the mantra for market economy to flourish. To sustain competition firms need to be cost efficient, which has a clear message for the labour, labour regime and labour rules for neo-liberal globalized economy – that is flexible labour.

The paper is organized as follows. While Section I discusses the financialisation as an intrinsic process of current globalization Section II delves into the emerging global labour conditions as is imminent in terms of labour market flexibility. In our understanding the relation between finance and labour can only be transparent in terms of class positions. So, we will briefly delineate our ideas of class. Then, we take up the task of associating the question of labour with global finance via class processes. Section III will render an understanding of the current global crisis and its implications for labour.

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Section I: Financialisation as a Process

Financialisation[2] as a process refers to the hegemonic presence of finance in every sphere of economic and social life. The classical role of finance is to intermediate between the surplus and deficit units of the economy so as to keep the vibrant functioning of the real economy. This is completely negated by the financialisation process in this age of globalization. Conceptually, the present age is characterized by the triad of globalization, global capitalism and neoliberalism. While globalization is a multidimensional process of integration of national spaces with the global the narrow economic reference to it would imply process of economic integration of national economies of the world with the global economy where global does not have the connotation of "core" as is contended in core-periphery hypothesis. The space of global is evident in the space of giant multinational corporations, multilateral institutions like the IMF, World Bank and the WTO, and also to a certain extent in global bodies like G-10 and the developed North – particularly the USA after the fall of Soviet Union and Eastern Block. However, the developed North is not exactly the core as is claimed in the traditional core-periphery thesis. The space of global which is formed in terms of the circuits of global capital is omnipresent and cannot be exactly identified with the geographical space of North or even with USA. This is not to say that physical space of North does not play any significant role in this process.[3] It does. But it is overwhelmingly interrelated by the other spaces viz. the space of multinationals, global financial institutions and multilateral organizations. It is now well recorded that the integration that is taking shape all over the world between the national economies and the global one is predominantly through finance – the free flow of finance capital and not in terms of trade flows – traditionally which was the case. This is particularly the case aftermath of the collapse of the Bretton-Woods system. However, even during the colonial period finance played a role in integrating the colonised space with that of the empire in serving the interest of the latter (Sen, 1993).

The space of global is also the construction of global capitalism which is intertwined with the process of globalization. Global capitalism refers to the capitalist accumulation of surplus value through the global circuits of capital. This circuit is complex and interrelated with various forms of surplus accumulation at different levels and spaces – both capitalist and non-capitalist. In this regard, the example of BATA Company is relevant which is inter-linked with various kinds of production processes through subcontracting and outsourcing located in different geographical places and some of these production processes resemble non-capitalist ones and some capitalist. A capitalist production process is one where the appropriation of surplus value is done by the non-performers of those surplus values. It is essentially exploitative in nature as those who perform surplus value do not have any claim over that. It is essentially exploitative in nature. Now, the pertinent question is what is the link between financialisation and global capitalism? This can be best understood in terms of the surplus accumulation and distribution in the current global economy. Before that let us delineate the distinct features of what is today known as financialisation.

Over the last three decades the global economy and also, the economies of the different nations have experienced rapid transformations in terms of reduced role of the government, increased economic transactions between the nations, and dramatic rise in domestic and international financial transactions. But the most noteworthy dimension of these transformations is a "pattern of accumulation in which profits accrue through financial channels rather than through trade and commodity production" (Krippner 2005). In fact, different writers have used the term to mean financialisation differently. One can take a lead from Hilferding (1910) to refer to dominance of finance capital in global capitalism as financialisation. In our rendition, financialisation as a process is much more than the dominance of finance capital and rentier class in the economy. The uniqueness of present financialisation process lies in the finance capital's hegemonic presence in almost every sphere of economic decision-making of firms, institutions, governments and societies world over. Even the idea of economic development is now related to finance in particular in the South today as the prerequisite of any development is conditioned by foreign financial capital flows to a nation in this age of neoliberalism. To define financialisation we take a clue from Epstein (2005):

> "...financialisation means the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies".

One of the basic indicators of financialisation in any economy is the share of financing, insurance and real estate (FIRE) sector in the national income or GDP. In US from 1973 to 2005 the share of FIRE in US GDP rose from 15.1% to 20.4% (Palley 2007). In India its share in GDP rose from 11.73% in 1973-74 to 16.86% in 2011-12 (Economic Survey, 2011-12). Another indicator often signifies the process of financialisation is the daily volume of foreign exchange transactions all over the world which was 1.9 trillion dollars each day in 2004 as compared to 570 billion in 1989 (BIS cited in Epstein 2005). Most of these cross-border foreign exchange transactions are on account of financial capital flows and not on account of international trade flows. It is reported that the profits of financial institutions in US rose dramatically relative to the profits of the non-financial corporations (NFCs) after 1984 (James Crotty: Chapter 4 in Epstein 2005). Crotty (2003) stressed two points between the relation between financial markets and large NFCs: The first is a shift in the beliefs of financial agents, from an implicit acceptance of the Chandlerian view of the large NFC as an integrated combination of illiquid real assets – that is, physical and organizational assets that cannot be sold for cash quickly and without a major loss in value – assembled to pursue long-term growth and innovation, to a "financial" conception in which the NFC is seen as a 'portfolio' of liquid subunits that home-office management must continually restructure to maximize the stock price at every point in time. The second is a fundamental change in management's reward structure, from one that linked pay to the long-term success of the firm, to one that links it to short-term stock price movements." Hence, financialisation is a process which renders everything through the lens of finance capital or financial motive.

In the developed North, at the macroeconomic level "the era of financialisation has been associated with generally tepid economic growth." (Palley 2007) It is reported in Palley (2007) in the context of US economy that the era of financialisation is characterised by the following:

(a) Rise in the financial sector debt to total debt in the economy vis-a-vis the non-financial sector debt to total debt (In US the former has increased from 9.7% in 1973 to 31.5% in 2005 while the latter has decreased from 90.3% in 1973 to 68.5% in 2005)
(b) Rise in debt-x-revolving credit to GDP (In US debt-x-revolving credit rose faster than GDP during 1973-2005 from 136.3% in 1973 to 207.3% in 2005)
(c) Rise in the share of mortgage debt in GDP (This rise was from 48.7% of GDP in 1973 to 97.5% in 2005 in US)
(d) Rise in household debt as percent of GDP (This ratio rose from 45.2% in 1973 to 94% in 2005 in US)
(e) Fall in NFC debt in total non financial sector debt (For US this fall was from 26.2% in 1973 to 19.8% in 2005)
(f) Rise in household debt as a proportion of domestic non-financial debt (The increase was from 33% in 1973 to 43.9% in 2005 in US)

(g) Rise of FIRE as a proportion of GDP (The rise was from 15.1% in 1973 to 20.4% in 2005 in US)
(h) Fall in gross investment spending as a share of GDP (This fall was from 17.7% in 1973 to 16.5% in 2005 in US)
(i) Rise in labour productivity and stagnating real wage growth or compensation
(j) Increase in financial innovations with new forms of derivatives being introduced almost every day
(k) Increase in the debt creation through financial sector in terms of different vehicles of debts

The stagnation of wages and changes in personal income distribution is accompanied by changes in the functional distribution of income. Following Palley (2007) the functional distribution of national income is presented as follows in a hypothetical economy:

$$Y = CS + WS \tag{1}$$

where Y is national income, CS and WS stand for capital's share and wage share.

Now the wage share (WS) is distributed between managers (MS) and workers (LS):

$$WS = MS + LS \tag{2}$$

Capital share (CS) is distributed between interest (I) and Profits ($\prod$):

$$CS = I + \prod \tag{3}$$

Profit ($\prod$) is further distributed between financial sector ($\prod F$) and non-financial sector ($\prod NF$):

$$\prod = \prod F + \prod NF \tag{4}$$

So, putting (2), (3) and (4) in (1) we get:

$$Y = MS + LS + I + \prod F + \prod NF \tag{5}$$

The interest of the finance lies in ensuring rise in the shares of interest (I) and financial profit ($\prod F$). But it also needs rise in MS compared to LS as the managers play the pivotal role in both financial and non-financial companies towards ensuring as large market value of the shares as possible and hence, they need to be given adequate incentive to do their jobs.

In terms of (5) above, in the era of financialisation we expect the following:

(i) Rise in managers' share (MS) in total wage share (WS) and fall in the workers' share (LS)
(ii) Rise in managers' share in national income (MS/Y) and fall in workers' share in national income (LS/Y).
(iii) Rise in capital share over wage share in national income
(iv) Rise in the share of interest in national income (I/Y)
(v) Rise in the share of the profit of the financial sector in total profit ($\prod F/\prod$)

(vi) Rise in the share of the profit of the financial sector in national Y ($\prod F/Y$)
(vii) Fall in the share of profit of the non-financial sector in national income ($\prod NF/Y$)

These facts are supported by the facts and information on US economy during 1973-2005. For example, corporate profits as percent of total compensation in the economy registered increase from 22.3% in 1973 to 25.8% in 2005; financial profits as percent of GDP rose from 1.6% in 1973 to 3.6% in 2005; and financial-to-non- financial profit ratio increased from 0.257 in 1973 to 0.432 in 2005.[4] Thus, there is empirical evidence in the context of the US economy - shift in national income towards capital from wage, increase in interest share in the total capital share and an increase in the financial sector's share of total profits. The payments to the managers exploded during the last three decades both in the developed and the developing world. CEO pay has exploded from 38-times average worker pay in 1979 to 262-times average worker pay in 2005. (Mishel et. al. 2007)

In the developing South too (except China and India) this is an era of tepid real economic growth. As observed by Crotty (2003) above financialisation transforms the relationship between the real and financial sector where the former operates by the latter and for the latter and in the process it is a process for the former for being a part of the latter. A firm is no longer a combination of some physical and real assets whose conversion to liquidity cannot be realised unless the firm is liquidated or sold. But in this era a production unit is seen as conduit of financial value and the managers are always inclined to maximize its market value viz. the market value of the outstanding shares of the firm. In the process the managers are rewarded if they succeed in increasing the value of the firm. So, the real operation of a firm gets into the back bench while financial operation becomes important. And in this transformation financial interests of some classes of people dominate. In the existing literature, these classes are clubbed as rentier class.

So, in financialisation as a process, financial markets, financial institutions, financial innovations and financial elites gain greater dominance over economy including the economic policy. Financial elites as a group exacerbate their influence over the national governments. In developing South, the governments which have unleashed neoliberal policy regime compete with each other to attract global financial flows. It is often claimed by the national governments and the proponents of neoliberal globalisation that the process of development in the South will be stalled if foreign capital flows do not take place.[5]

Now, let us come back to the question: What is the link between financialisation and global capitalism? As is imminent now, financialisation as a process elevates the significance of the financial sector vis-a-vis the real sector. This is not just Hilferding's world of finance capital where financial capital dominates over the industrial capital. It is more than that which inflicts the interests of finance and financial elites in every ethos of economic life. The distinction of industrial capital gets here blurred into the financial capital as the former is meant for the latter – not the other way round. To understand this we rely upon the two different circuits of surplus accumulation *a la* Marx.

As per Marx, the capitalist production process surplus is generated in the circuit M-C-M' where M is the initial investment in money form which is then gets converted into commodity (C) by the application of labour process (LP). Commodity then gets converted into (money) value (M') through exchange in the commodity market. Now, this later money value M' is greater than the initial money (M) which is invested to produce commodity (C). The difference between the two money values viz. M'-M is the surplus value. Let us now understand the working of global capitalist production process. Global capitalist process, as we have mentioned above, functions through innumerable global circuits which are interconnected with each other in complicated manners. Global capitalism thrives i.e. generates surplus value from each of these circuits all over the world.

For this process of globalization is a necessity and also, is necessary neoliberal free market which would ensure uninterrupted surplus accumulation at each node[6] of the circuit. Note that at each node different labour processes remain responsible for value addition i.e. creation or generation of surplus value. This surplus is then distributed among different classes and groups which provide the necessary condition of existence and reproduction of the global capitalist process. A part of this surplus is profit.

But Marx has also hinted upon another circuit viz. M-M' where initial M without any commodity transformation in between gets converted into M' and once again M' is greater than M. So, the surplus generated is the difference between M' and M. This is the typical circuit one can think of operational in the context of financial sector and financial firms. But the question is from where is generated the initial M of the financial sector. There are three distinct possibilities at the macroeconomic as well as microeconomic level:

(a) From the national savings the initial investment in financial sector may be generated. So, financialisation requires generation of high savings rate which is possible when income distribution is skewed in favour of the rich and wealthy class as the marginal propensity to save is higher in the case of the rich high-income group. In the context of India we observe phenomenal rise in the household savings rate[7] since 1991 when the economic liberalisation was incepted and this happened at a time when income inequality widened. So, growing income equality is a necessary condition for fuelling savings rate and channelling the resources to the financial sector.[8] In economies where domestic savings rate remain low or stagnant national savings is fuelled by foreign savings.[9] The major share of these savings is in financial assets. This is mostly in the forms of debts of the financial sector. So, financialisation process is very much related with financial sector's debt creation.

(b) The second possibility is the investment of corporate surplus in financial instruments. In fact, as mentioned above most of the corporate savings is invested in financial assets – stocks, debentures, bonds and different derivative products. Now, this has a crucial link with surplus generation process in the real sector which will discuss in Section III. More investment requires (i) more generation of surplus in the real sector, and (ii) more siphoning off surplus in financial investment than reinvesting it in the real sector thus jeopardising the real sector's growth. When more and more surplus is invested in the financial sector to keep the surplus accumulation on pressure is on labour in particular as only increasing labour productivity and stagnating real wage can ensure surplus accumulation for distribution towards financial sector.

(c) The third possibility is the reinvestment of part of surplus generated in the financial sector itself through M-M' circuit in the financial sector. One can imagine that the surplus generated in the financial sector through the M-M' circuit is distributed as compensation for the managers, rewards for other agents who provide necessary conditions for existence to the financial sector (say, taxes to the government) and then, whatever is remained after this distribution is retained as profit of the sector to be reinvested.

Therefore, initial M of financial sector circuit is sourced from national savings, surplus of the real sector and the surplus of the financial sector. And the current nature of global capitalism facilitates channelling of surpluses thus accumulated to the financial sector. Through different financial innovations in the form of various derivative products these surpluses as initial M in financial sector are further swelled and generate M' and hence, financial surplus M-M'. Global capitalism extracts more and more surpluses through its global circuits of operations for the financial sector. It is in a sense financialisation of capitalism and also, financialisation of accumulation (Foster 2007, 2010). Sweezy (1997) argued that the period beginning with 1974-75 after the collapse of the Bretton Woods era earmarked three intricately interrelated trends in global capitalism viz. (a) the slowing down of the overall real economic growth rate, (b) the worldwide proliferation of monopolistic or oligopolistic multinational corporations, and (c) financialisation of the capital accumulation process. The growing surplus in the hands of corporations in the face of stagnant real economy led to the increased demand for the financial products as a means of maintaining and expanding their money capital. On the supply side of the story this led to the growth of financial institutions who came up with wide array of financial instruments – futures, options, hedge funds etc. Now, this finance requires the deregulation and decontrol which neoliberalism assured it. Accumulation is held as real capital formation which is essential for rise in gross output of a society. But what we are observing today is financialisation of accumulation which signifies accumulation for financial interest and not for productive interest in the economy. Accumulation thus has increasingly become subordinate to finance. Financialisation is a shift in the centre of gravity in the capitalist system from production to finance (Levitt 2008). And global capitalism has played the most central role in this process of transformation from production to finance by boosting surplus accumulation through a process of speculative expansion which ultimately contributes to the corrosion of the entire economic and social order, hastening its decline. In the entire process not only the wage share suffers but also suffers the interest of the labour and the real economy. And ultimately it is labour which bears the endemic risk of the system. To understand that we need to have a look at what is meant by class processes because we will make an attempt to link labour with finance in the era of financialisation through the lens of different class processes.

Section II: Class Processes and the Labour in the Era of Financialisation

Labour plays the vital role in the real economy in surplus generation. The accumulation of surplus[10] depends on the magnitude of appropriation of surplus by the non-performers of surplus in a capitalist production process where surplus becomes surplus value through commodity exchange in the market. Now, we can think of two different kinds of appropriation – (a) appropriation by the non-performers of surplus and (b) appropriation by the performers of surplus. The first case is exploitative as the surplus produced by the performers of surplus viz. labour is appropriated by others who are non-performers of such surplus. Examples of exploitative production or labour processes are capitalist production process, feudal production process etc.[11] The second process is non-exploitative where the performers of surplus labour themselves appropriate the surplus produced by them. Now, the question is why this distinction between exploitative and non-exploitative production processes is important. This is so because those who appropriate surplus takes the decision regarding its distribution within and outside the site of the production. It is needless to say that in non-exploitative labour processes the surplus will be distributed in such a manner among the different stakeholders of the production who will ensure the reproduction of such labour process over time. On the other hand, in exploitative processes the distribution will be towards those who provide the necessary the conditions of existence and reproduction of exploitative production processes. Hence, from the point of view of distribution of surplus the distinction between exploitative and non-exploitative production processes assumes significance. This can be further examined in terms of class processes.

In any economy three essential components are production, distribution and consumption. Following Althuserian logic of over-determination[12], these three components as *processes* are over-determined as they mutually constitute each other to determine the social plane, the very existence of which is effectuated by ever-changing contradictory and conflict-ridden economic, political, cultural and natural processes. This section dwells on the emerging nature of labour in this age of neo-liberal globalization coupled with financialisation – which is labour in transit as opposed to labour in situ. It is an attempt to understand the very process of *labour in transit* as opposed to the traditional *process of labour in situ* in production processes and to unfold in its term the very *transition* of economy and society as it is taking shape in the backdrop of globalized reality construed by the dictate of global capital – particularly finance capital. To our understanding the present day interests of finance warrant a particular labour process where labour would become footloose in the interest of larger capital accumulation. The question of transition is perhaps a never-ending process of evolution and negation and a journey which goes on and on in any social plane. And if one adheres to the logic of class-focused Marxist approach then, this transition needs be understood in terms of transition of several *heterogeneous* class processes which do coexist in a social plane at a time. The question of transition if visited in terms of class transition then brings into fore the very question of different labour processes as they exist today and as they are evolving and influencing the surplus accumulation at the dictate of global capital.

Let us begin with the fundamental notion of labour process as it shapes any class process and then let us then draw the line between the traditional notion of labour process and emerging notion of labour and work in transit.

Entry point of our analysis is surplus labour *a la* Marx. Production is a process of creating goods and services using labour and means of production. The process of manufacturing goods and services using labour over the means of production is dubbed as labour process. It involves the muscles, nerves and emotions of the owner of the labour power. This labour process in any production remains solely responsible for the generation of surplus (labour) and hence, for the accumulation of capital by the muscles, nerves and emotions of labour(er). And class in this way is a process of performance, appropriation, distribution and receipt of surplus labour. [13] Surplus labour is the total labour left after paying necessary labour to the direct producers or owners of labour power.[14]

Given the above notion of labour process and then, class process the image of labour that comes to one's mind is that of labour in situ – a labour(er) performing surplus labour within the four walls of a (manu)factory. But this is not the received image of labour in transit, which is the flexible labour in this era of financialisation. Labour in transit is not confined to the four walls of a factory. Rather, movement is primary feature of such labouring process. We conceive two distinct movements of labour - (a) continuous movement of labour from jobs to jobs or from jobs to unemployment and back and forth, and (b) continuous movement of labour from place to place. This moving labour process can be found in the construction work, agricultural field (after Green Revolution where at the time of harvests agricultural workers leave their own places of residence), in the train compartments as vendors hawking various goods produced in small and tiny industries etc. The form of each as labouring process is different from each other, and so is their association with surplus production. One can, in this regard, distinguish between two forms of labouring process – (a) one which directly performs surplus labour and hence, is directly responsible for capital accumulation and (b) the other which does not perform surplus labour directly but helps to procreate it by providing necessary conditions of existence of the very performance and appropriation of surplus labour with which they are related. And as provider of these necessary conditions, they receive part of the surplus. For example, let us consider the case of a hawker. He is not involved in the direct production of the goods which he is selling in the train compartments. And hence, he is not performing the surplus labour. Rather, by selling the products he is begetting the value for the owner – the non-performer of surplus labour – from which surplus is generated. This hawker of ours receives a part of this surplus as his remuneration, which may be equivalent to his socially necessary actual labour time – taken to be sufficient for reproduction of his labour power. As receiver of part of the surplus labour he then occupies the Subsumed Class Position and the workers who produce those goods occupy the Fundamental Class Process as performer of surplus labour. Following Resnick and Wolff (1987), processes of performance and appropriation of surplus labour define Fundamental Class Process and processes of distribution and receipt of surplus labour Subsumed Class Process. Note that those who appropriate surplus labour (value) also take the decision of distributing it. Hence, the question of who appropriate surplus is an important one.

Our intention is not to render more importance to those who occupy the Fundamental Class positions. Rather, Fundamental Class and Subsumed Class Processes mutually constitute each other. Furthermore, we are also not rendering more importance to economic over other processes of social viz. political, cultural and natural. Class as an economic process is influenced by them and other economic processes and similarly also influence them *a la* Althuserian logic of over-determination.

Representing labour in transit in terms of class processes we can say the work performed by transit workers fall in two categories – Fundamental Class Process and Subsumed Class Process categories. The class processes so envisaged may be either capitalistic or non-capitalistic. It is capitalistic when the production is for market and (money) value is generated and the surplus labour gets converted into surplus value; non-capitalistic otherwise. Presumably, most of these class processes are exploitative as surplus is appropriated by the non-performer of surplus labour. However, there are cases when they are non-exploitative when an individual direct labourer performs surplus labour and self-appropriates his surplus himself – say, a van-rickshaw puller (who owns his own van – the means of production) performs the surplus labour and self-appropriates such surplus. It is an instance of ancient or self-exploitative or independent class process which does co-exist along with other varieties of class processes. This suggests that production processes and the related work processes if viewed in terms of labour (process) in transit are not homogeneous. The notion of a whole macro-economy breaks down and is replaced by an economy constituted in terms of several/innumerable heterogeneous class processes which are mutually co-related, not independent.

It is possible for an individual to occupy several class positions at the same time as follows: (1) He may belong to the Fundamental and Subsumed Class position in the same production process. (2) He may occupy two or more Fundamental Class Positions in different production processes at the same time (working whole time in a production unit as transit labour and part-time in another). (3) He may belong to Fundamental Class and Subsumed Class Positions in two different production processes. (4) He may belong to two characteristically different Fundamental Class Positions – one capitalist and other feudal, say. This list is not exhaustive. This is just to provide the idea of variety of class positions that an individual as transit worker may occupy at the same time at the same or different places. This is not the peculiar feature of labour in transit only. This is also the feature of labour in situ in today's globalized economy. But what distinguishes labour in transit from that in situ is the fact that chances of occupying several class positions in eking out a (socially) minimum living is more for a labour in transit than for a labour in situ. This is derived from the acute livelihood risks which confront such labour as the onslaught of global capital rises day by day. And this is where the relation between global capital and local labour in transit requires some elaboration.

The livelihood risks confronting an individual labour in transit stem primarily from the ever-expanding network of global circuits of capital which is continuously dispossessing farming community from its means of production – the land and hence, disturbing his self-sustaining livelihood (as in the New Town Project of Rajarhat near Kolkata). One can identify at least three processes effecting the transformation and hence, current transition from a self-sustained (and self-sufficient) livelihood to a mobile livelihood in the form of transit labour where transition does not signify moving from one state/plight to another definitely, rather it signifies a never ending journey which makes the "temporary", "casual", "irregular", "mobile", "seasonal" or "temporal" as the regular, permanent feature of a man's labouring life be it is for the purpose of performing more and more surplus or it is for the purpose of garnering fundamental conditions of existence and reproduction of such surplus on ever-increasing scale. These three processes include (a) processes of urbanization, (b) processes of industrialization including setting up of SEZs, and (c) natural processes. The link between global capital and labour process is direct and imminent in the first two processes and there is plethora of instances by this time now which do not warrant further exploration. But natural processes are equally endangering established and self-sustaining livelihood of a great milieu in agriculture and allied activities. For example, one can cite the case of Padma river erosion in the district of Murshidabad in West Bengal which has uprooted thousands of families from the erstwhile livelihood pattern and compelled their earning members (including child labour) to take to alternatives with mobile working activities. In fact, men in this area are hired by agents to vend goods and stuff in other parts of the country – Assam, Arunachal Pradesh, Orissa - as vendors or hawkers.

With growing informalization of the economic space – the informalization which is visible even within a formal space (say within a Jute Mill) – and with the demand being created for newer forms of logistic services labour has become more and more mobile – the mobility which goes on and on in future. Note that this trend is visible not only in the developing South but also in the developed North (Munck 2003). It is in this context there is need to re-think about the livelihood risks of these forms of labour; there is a need to re-examine the role of the labour organizations – the traditional trade unions; there is a need to think about their well-being – a well-being which would signify a real humane transition in their life-forms. Labour in transit is much more disaggregated, de-centered and de-politicized than labour in situ. This phenomenon of informalization is not restricted to South today. It is as much visible in North which Munck (2003) has described as "Brazilization".

Borrowing from Bremen (1996) we would like to portray labour in transit as footloose labour in the true sense of the term. It is a journey from nowhere to nowhere, the mobility, the transition is shaping the live-forms and livelihood risks of these men and women. The real transition at the micro level – in our rendition which class as well as need-based transition – should be understood in the broader perspective of resistance to global capital and the current waves of globalization.

The labour – both formal and informal – today is faced with flexible labour regime. This flexibility is of four types as noted in Sen and Dasgupta (2009):

(i) **Numerical flexibility:** "With adjustments in the number of workers to meet the varying levels of demand as well as technological innovation (EIRR as cited in Regini 2000). This type of flexibility requires that (a) firms can shed those workers whose skills have become obsolete and (b) can hire new workers on contractual or temporary basis so that they can be easily laid off when situations demand. This is the most popular notion of flexibility, as has been practised in many countries since the last decade. It also remains one of the driving force behind the labour market reforms."

(ii) **Functional flexibility:** "This simply refers to the individual firm's ability to reorganize its workforce to varying levels of tasks as are due to technological changes. This is also conditioned by the ability and skill of workers to adapt to the changing tasks. However, job-rotation, multi-skilling, retraining and internal mobility, which remain the essence of this kind of flexibility (see Callenberg 1990, as cited in Regini 2000), once established, leave few incentives for firms to hire new workers. Large corporate firms, and especially transnational corporations (TNCs), are increasingly adhering to these forms of functional flexibility which, in a way reduces labour costs while multi-level processes can be carried out safely with the existing set of workers."

(iii) **Wage flexibility:** "It refers to the firm's ability to adjust wages in a manner which suits the changing conditions of cost competitiveness and product demand in the market. Among others, labour regulation, and particularly the minimum wage legislation, is viewed as the principal hindrance for this type of flexibility at the firm level. The above can be abolished by permitting a free hand to the workers in setting wages, and also by limiting the power and functions of the labour unions and organizations which come in the way of downward revision in wages. As argued in this approach to labour flexibility, such flexibility is a help to attain the adjustments needed to attain market clearance in the labour market (Soskice 1990, as cited in Regini 2000)."

(iv) **Temporal flexibility:** "This refers to adjustments in the utilization of labour hours according to the temporal and/or seasonal variations in product demand (Adam and Caniziani 1998, as cited in Regini 2000). This type of labour flexibility allows firms to adapt to the practices of overtime work, none of which require a change in the number of persons employed. Practices as above are gaining prominence with casualisation and contractualisation of jobs replacing the standard Fordist work contracts and practices all over the world, including India which is no exception."

Each one of these four forms of flexibility facilitates in adapting a labour regime conducive to more and more surplus accumulation for distribution in the financial sector. This is the relationship between financialisation and labour. The following points merit attention at this juncture:

(a) Financialisation is intrinsically related with the labour processes as financialisation of the economy warrants more and more distribution of surplus towards financial sector and flexible labour regime guarantees that. We negate here the existence of an independent/autonomous circuit of finance which is self-propelling. Circuit of finance is continuously fuelled by surplus which is being accumulated in various exploitative class processes through circuits of global capital and then is distributed to the financial sector to sustain the M-M' circuit.

(b) The global circuit of financial capital is based upon a social structure of capital accumulation process which is derived from multifarious exploitative class processes.

(c) Labour in the age of financialisation is more fragmented and notable features of labour processes in the current era include deterritorialisation and informalisation. The labour in transit is the current form of labour as opposed to the labour in situ in the immediate post-World War II era.

(d) The degree of financialisation is proportionately linked with rate of exploitation which is to a certain extent – especially in the South – characterized by primitive accumulation of capital as noted by Marx in the context of early capitalist era in the West.

One can empirically find evidence of the above inter-relationship between flexible labour and financialisation in the context of India. Sen (2008) noted the following changes in the financial space of the Indian economy:

> "As with the rest of the economy the financial sector in India has also been subject to sweeping reforms since 1991. The changes include , among others, the introduction of current account convertibility in 1993, de-regulation and unification of the interest rate structure, removal of priority credit, marketised borrowing by the fiscal authorities with an end to official borrowings from the RBI (known as deficit finance), introduction of credit-risk adjusted lending by commercial banks (in conformity with the Basel norms relating to capital adequacy), easier access to foreign capital including the FIIs and moves towards a gradual switch-over to the full convertibility of the rupee."

One can identify the following changes as a result of financial liberalization which initiated the process of financialisation in the Indian economy (Sen, 2008):

(a) Surge in capital inflows from abroad with the rising share of portfolio capital dominated by FII flows.
(b) Dramatic growth in market capitalization in the stock market in the post-reform period with the secondary market turnovers rising rapidly.
(c) Increasing volatility in stock prices as well as in trading volume.
(d) Capital market de-regulation facilitating the access of FIIs to the Indian stock market since 1992 and the introduction of derivative trading in stock markets, foreign exchange markets and lately in commodity markets.
(e) High returns on financial sector investments as compared to average returns in industry.
(f) Changes in corporate portfolios including those of banks with higher share of assets held as stocks.

So, the question is what is the impact of financialisation on labour – particularly industrial labour? Taking clues from Sen (2008) and Sen and Dasgupta (2009) we can conclude the following:

(1) In the era of financialisation what we observe in India is "job-less growth" which has been continuing over the last two decades.[15] Annual growth rates of employment in India's organised sector over 1994-2004 has recorded a negative rate of (-)0.38%, declining further from the low average rate at 1.20% over the decade 1983-94[16]. Considering the industry groups at a disaggregate level (3 digit classification of Annual Survey of Industries) one can find low employment growth even in high growth industries i.e the industries which have been experiencing annual average growth rates at 20% or above over the post-reform years since 1991.[17] Jobs in manufacturing, which was around 5.7 million persons at end of fiscal years 1987 as well as 1988, has actually been falling since 1999, with the number at 4.744 million at the end of 2002-03.[18] It has fallen further after that and that too at a time when Indian economy entered the high economic growth era in recent time. This pattern of employment growth remains unabated in the low growth industries too with output growth less than 5% per annum on an average.[19][20]

(2) There is a strong empirical evidence of negative impact of technology (capital-labour ratio) on employment, especially in the high growth industries as cited in Sen and Dasgupta (2006). The era of financialisation envisages a systematic tendency of labour displacement on the part of employers, by adopting the cost cutting strategy under the new regime of competitive global capitalism in the market economy.[21] Much of the cost cutting tendency and absence of scale expansion can probably be interpreted by the tendencies for corporate industry to shift investible surpluses in the direction of finance.

(3) The post-reform era has witnessed large year-to year fluctuations in manufacturing output. This is more so with liberalised entry of imports and uncertain export markets. These are matched by similar fluctuations in employment. The fluctuations in employment can be ascribed to the four different forms of flexibility mentioned above. The employment fluctuation is prominent in both high and low growth industries. So, labour pays the price for output fluctuations.

(4) The pattern of employment in the Indian economy indicates two prominent developments in recent years – (a) the casualisation of labour and (b) the rising number of man-days per worker. Both are substantiated by official statistics. As for the hours of work, both for the permanent and the casual ones, since the statistics on growth rates of working (man) days do not tally with the growth rate of workers, there is more work per worker on an average. This partly explains the reductions in the reported employment due to the stretching of labour hours through overtime at worst terms and conditions in industries.[22] Both casualisation and the incidence of unpaid/poorly paid labour with rising man days per worker reflect the incidence of labour flexibility mentioned above. These provide a convenient route for employers to cut costs and maintain profitability on the already squeezed margin of re-invested surplus in industry which takes place under financialisation.

(5) One particular aspect which merits attention in Indian context is the informalisation of the space of work, which Munck (2003) has dubbed as Brazilianization in the context of developed North. The era of financialisation has witnessed growing tendency of informal employment in two respects – (a) growing absorption of unemployed labour in informal sector, and (b) growing informalisation of the formal sector. The latter indicates rise in rate of casualisation in the formal sector. So, on one hand informal works with bare subsistence wages and payments are on the rapid rise and on the other, the space of formal is getting informalised day by day. This is the typical feature of global labour flexibility. The informal sector may be of two types – (i) Type I informal is linked with the global circuit of capital and (ii) Type II informal is not linked with that circuit. But the labour condition in both remains the same – low (even in some cases unpaid) paid jobs with no security for the future. With more and more people losing jobs in the formal sector and/or fail to enter the formal sector informal sector remains the only space where they can be somehow accommodated. But the even there global circuits of capital play havoc in extracting the surplus to be invested in the circuits of global finance. This is particularly the case with Type I informal jobs which are linked with the global circuits.

(6) Labour flexibility has brought to the fore issues concerning the security aspects of labour (Standing 1999, 2002). The notion of labour security dwells on aspects affecting their livelihood which include, most importantly, their employment status, both in current time and as expected during the future.[23] Moreover, the terms of labour contract to the extent people are in jobs where the interests of labour are secured, are also important. Labour security is a bygone aspect of labour in this age of labour flexibility as garnering high security

to labour would involve high costs which are unacceptable when cost cutting is the strategy of survival of the industrial firms. The economic and social status of labour is also influenced by different forms of support, to the extent available, from the state and/or the social network. For those without a firm job the latter remain the sole means of survival.

(7) Financialisation also has significant implications for labour policy. There is a tendency to transform the labour rules and regulations of the country into more flexible rules and regulations. This is evident in the context of India where under neoliberal economic regime the Government is trying its best to introduce completely flexible labour regime. A beginning in this regard is discernible in terms of the recommendations of the National Commission on Labour (NCL)[24] Chakrabarti and Dasgupta (2007) disinters the report of the NCL Report to reveal the ideological basis of the changes sought in the labour laws. Changes suggested in the labour laws flow from an understanding of labour that is derived from the perspective of capital. The policy goal of the NCL recommendations is to position labour in a manner that will ensure the expansion of competitive capitalism in India – particularly the interests of finance. Through the lens of the class-focused Marxist approach it is revealed how the NCL attempted to change the meanings of labour, the working day, work culture and indeed that of the labour rights as a whole.

So, the new norms of corporate finance in the de-regulated regime have devastating impact on labour in India. This is true not only for India but also for other nations (developed and developing alike) where financialisation as a hegemonic process held sway over the entire economic and social system. The short term financial assets or "quick assets" as they are labelled are providing attractive options for the industrial corporate to generate quick subsumed revenue. New investments which still continue to remain in industry, therefore, need to earn competitive rates of returns as available elsewhere. Given the uncertainty in the market caused by tepid economic growth industries are not taking new risks through scale expansion, which could have otherwise generated some new employment. Rather, industries are adhering to the strategy of extracting the maximum feasible surpluses from labour already employed. This is achieved by augmenting labour productivity at a rate which far surpasses the rise in wages (necessary labour component) or other payments to labour. This is achieved by adopting labour displacing technology and/or extending working hours or adopting flexible labour regime. In our rendition, therefore, without making labour flexible and without mass unemployment financialisation cannot proceed as it cannot derive the surplus at super duper rate from the real economy needed for its own expansion. Hence, in ultimate analysis financialisation requires immiserisation of labour through flexible labour regime as that only can guarantee requisite surplus generation to further the cause of finance. In this regard, the neoliberal state plays a crucial role by (a) de-regulating finance and (b) regulating labour with flexible norms.

The question is whether the state of the global economy and that of the different national economies as shaped by financialisation, neo-liberal globalization, flexible labour regime and global capitalism is sustainable in the long run? There is an inherent short-termism in the new finance-based construction of economy. Financialisation lures speculative returns in quick times. So, from every circuits of global capital quick realization of returns for the sake of financial investments is prominent. There is hardly any long run perspective for real economy and sustainability of the emerging surplus accumulation patterns and trends. In our understanding the process of financialisation increases the possibility of crises in the real and financial sector. This is evident in terms of the multiple occurrences of the economic and financial crises in different parts of the world over last three decades. The latest one is the present Global Crisis followed from the sub-prime lending disaster of US and which is still continuing all over the West. It is further immiserising labour as the official solution to end the crisis is bound to be counter-productive which we discuss in the next section.

Section III: Global Crisis and Labour

To understand the global crisis in terms of class-focused Marxist approach let us conceptualise global enterprise from class-focused perspective (Chakrabarti, Dhar and Cullenberg 2012). A global capitalist enterprise with its headquarters in India (IN), say, would have the following class equation:

$$\Sigma SV^{IN}_i + \Sigma SSCR^{IN}_i + \Sigma NCR^{IN}_i = \Sigma SSCP^k_{IN} + \Sigma X^k_{IN} + \Sigma Y^k_{IN} \tag{6}$$

Where, ΣSV = surplus value produced and appropriated within the enterprise
$\Sigma SSCR$ = subsumed class revenue
ΣNCR = non-class revenue
$\Sigma SSCP$ = subsumed class payments
ΣX = sum of payments made to secure SSCR
ΣY = sum of payments made to secure NCR

The left-hand side of (6) represents the revenue side of the enterprise while the right hand side is the expenditure side required to reproduce its existence. The process of financialisation in terms of class accounting imply more and more generation of subsumed class revenue through financial investments (a part of earnings may be in the form of non-class revenue – for example loans given to returns on financial investment made by the enterprise). Note that in (6) revenue is generated in India (IN) by an enterprise whose headquarter may be at the other country i and distribution of revenue is made at another location k from IN. We presume here disproportionate earnings from SSCR and NCR through various financial investments outside the enterprise relative to SV generated within the firm. The crisis arises for a global capitalist enterprise when the above equality turns into inequality as follows[25]:

$$\Sigma SV^{IN}_i + \Sigma SSCR^{IN}_i + \Sigma NCR^{IN}_i < \Sigma SSCP^k_{IN} + \Sigma X^k_{IN} + \Sigma Y^k_{IN} \tag{7}$$

The inequality signals (a) the quantity of surplus value appropriated is inadequate to make the distributions (SSCP) needed to secure the reproduction of the appropriation, (b) dwindling SSCR and NCR relative to X and Y as the financial booms burst leading to asset price deflation.

There is another side of the story. Financialisation as a process increases the total debt of the economy. We have already seen the rise in US financial sector debt and household debt in the era of financialisation. With wage share (WS) stagnating, which we have observed from (5) above, a point is bound to come when increasing indebtedness would lead to large defaults. So, the current crisis has its roots at the global capitalist enterprise level and also at the level of households which amassed huge amount of debt over the last three decades (Resnick and Wolff 2008).

When the crisis first broke out in 2007-08, the Northern states came forward to save the impending collapse of the financial sector. This led to huge accumulation of debt by state and fiscal deficits as a result soared high. With crisis turned into deep global recession states are now advised by the international bodies and some of the powerful Western governments to reduce fiscal deficit by taking steps towards austerity. The immediate implication of this is cuts in wages, social security expenditures, state-subsidies and other developmental expenditures. This is the typical neo-liberal solution to the crisis which makes condition of labour more vulnerable. In fact, labour bears the burden of painful adjustment in the economy to get rid of the crisis which is the creation of few financial elites and corporate capitalist class. So, as in financial boom, labour remains at the receiving end with financial burst.

Conclusion

A true resistance has to address the question of disaggregation and de-politicization of heterogeneous working class in the era of financialisation. This agenda is no doubt political. It is that political which would take care of a true transition of class processes and also, would address the "need" of the labouring masses at the micro level. But at the macro level the political would have to ensure the emergence of conditions conducive to labour as opposed to flexible labour. In other words, the political struggle has to combine both class and need struggle for the betterment of live-forms of this vast working milieu.

Notes

[1] See Sen (2007).

[2] According to Foster (2007), "The current usage of the term "financialisation" owes much to the work of Kevin Phillips, who employed it in his *Boiling Point* (New York: Random House, 1993) and a year later devoted a key chapter of his *Arrogant Capital* to the "Financialisation of America", defining financialisation as "a *prolonged* split between the divergent real and financial economies" (New York: Little Brown, and Co., 1994), 82. In the same year Giovanni Arrighi used the concept in an analysis of international hegemonic transition in *The Long Twentieth Century* (New York: Verso, 1994)."

[3] In recent time, the physical violence over national space in Iraq and Libya by the superpowers – USA and its allies is a testimony that physical domination over national space remains still quite significant. But what is striking in the current context is the expression of dominance via the medium of MNCs, global finance etc.

[4] Economic Report of the President, Government of United States of America, 2007 as cited in Palley (2007).

[5] In 2012 the Indian economy is said to be gripped by policy paralysis which in other words imply failure of the Government to carry forward the neoliberal reforms in the economy. This is mainly due to the coalition government at the Centre where many coalition partners fear losing their electoral base if neoliberal reforms are pushed too much. Hence, the main ruling party officials including the Prime Minister and the Finance Minister often claimed that if these reforms are not implemented then foreign capital would not come and if foreign capital does not come economic development would be stalled. So, in this neoliberal setting economic development is made contingent upon foreign capital flows and that too foreign financial capital flows. India receives most of the foreign capital flows in the form of foreign portfolio investment flows in the stock markets. So, it is not clear how money which is invested in stock markets and which are generally short-term investments would facilitate development process. In fact, the era of neoliberal globalization in India is characterized by two contrasting trends – high economic growth and widening income inequality and poverty and unemployment. This growth is inequality based and is dominated by the financial elites and corporate elites who are also guided by short term financial interests and not by real motives.

[6] By node of a circuit we mean a particular point in the circuit where the principal global firm relates with another firm – be it its subsidiary in another country, another firm in a different country to which it has subcontracted or outsourced its production etc.

[7] Household savings as percent of GDP rose from a mere 15.7% in 1991-92 to 22.8% in 2010-11 in India. Gross savings rate increased from 21.3% in 1991-92 to 33.8% in 2009-10. (Economic Survey, Government of India, 2011-12; p. A10; Table 1.6)

[8] Savings – particularly corporate savings in India is also mopped up by reducing corporate tax rate which was reduced steeply to 30% after 1991. In fact, there is a remarkable rise in corporate savings during the post-

liberalisation period which registered a rise from a mere 3.0% in 1991-92 to 8.2% of GDP in 2009-10. (Economic Survey, Government of India, 2011-12; p. A10; Table 1.6)

[9] We define national savings as the sum of gross domestic savings and foreign savings. So, national savings can be increased by attracting foreign savings even if gross domestic savings is stagnant.

[10] Note that we have used the term 'surplus' and 'surplus labour' interchangeably.

[11] The basic difference between the feudal and capitalist production processes lies in the fact that in capitalist process surplus labour is transformed into surplus value through commodity exchange in the market whereas such conversion does not take place in feudal process.

[12] Overdetermination refers to the mutual constitution of or relationship between two or more variables. Suppose there are two variables X and Y. Then X and Y are overdetermined if both X and Y cause each other and if both are effects of each other. When X and Y are overdetermined we cannot say which one is dependent and which one is independent variable viz. we cannot write either $Y = f(X)$ or $X = f(Y)$.

[13] Note that we have proposed here class process, not class. Defining class as process i.e. as an adjective is due to Resncik and Wolff (1987). Otherwise, class is defined in orthodox Marxist literature in terms of the ownership of means of production, or power or ownership of properties.

[14] Surplus Labour = Total Labour – Necessary Labour

[15] Unemployment in the country as a whole (which include the unorganised industry and agriculture) has also been high, as indicated by the official National Sample Survey Organization Statistics of India. The growth of employment (work force) at 2.48% on an average during 1999-2000 has been less than the growth in labour force at 2.54% over the same period. And latest available data for July 2004 to June 2005 shows a rise in unemployment as compared to1999-2000, both for males and especially for females in rural areas when estimated on a 'daily status' of employment. The pattern has been no less dismal in urban areas and especially for females. These estimates of course overlooks the vast majority who are classified in official statistics as "self-employed", having access to resources which are too meagre to provide them the bare means of even subsistence.

[16] Economic Survey, Government of India, 2011-12.

[17] These industry groups include office equipment, aircraft and spacecraft, ships and boats, jewellery, electronics, furniture and motor vehicles etc, which are the 'sun-rise' industries of the current decade.

[18] Economic Survey, Government of India, 2007-08.

[19] The low growth industries include the typical labour intensive items like man-made fibre, tobacco, publishing etc.

[20] The pattern of job-less growth is all the more explicit in the cumulative share of industries which are grouped according to their share in total output. Thus the relatively high growth industries in the organized sector with individual shares ranging between 9.9% and 5.8% of output which collectively contributed 47.66% of aggregate output have generated only 30.73% of aggregate employment during the post-reform period. The pattern indicates, once again, the rather poor contribution of the high output growth industries in terms of employment.

[21] The results also indicate interestingly that labour productivity as such bears a negative impact on employment. Labour thus generates more output per head, while failing to generate employment, given the labour saving biases in new technology. It probably implies that the use of labour saving devices have helped in cost cutting by increasing output per labourer while the scale expansions which could generate employment remains absent.

[22] Worst terms and conditions arise due to casualisation of work in which no assured benefits like overtime payments are given to the worker. So, stretching of work time may probably involve non-payment for overtime.

[23] There are different forms of labour security one can think of. These include – (1) income security, (2) employment security, (3) workspace security, (4) voice representation security, (5) family support security, (6) job security, (7) skill reproduction security, and (8) financial security. Sen and Dasgupta (2009) observed in the context of manufacturing labour in India's organized sector each one of these securities had a very low score

indicating the absence of labour security even in the organized manufacturing. From this result it can be inferred that the level of security is quite low in the informal jobs.

[24] Government of India (2003): *Report of the National Commission on Labour*, Academia Foundation, New Delhi.

[25] See Resnick and Wolff (2008).

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