

PO133: Foundations of Political Economy

Week Eight – The value of work

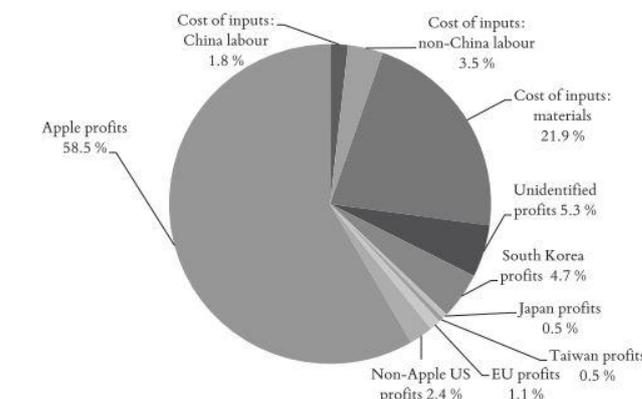
Asking about the value of work complicates facile claims about the profitability of ‘ideas’ or ‘machines’ and focuses our attention on the contribution of employees in the realisation of profits. It helps us to challenge the ease with which owners of capital often claim that their return on investment is ‘deserved’, because they bear the risk, own the machinery/land, or came up with the business idea. Continuous struggles over employment rights, fair wages, and acceptable working conditions further testify to the fact that those endowed with the task to manage a profitable business (are forced to?) treat work as a cost factor – and not as a source of value. Thus, employees’ livelihoods are rendered a secondary concern. Often with brutal consequences. As always, the who-deserves-what-questions, are not easily resolved.



Task 1: Is the distribution of value along the iPhone commodity chain fair? Consider Phillips’ description of the global value chain of Apple’s iPhone:

“What jumps out immediately is that more than half of the total value, across the whole of the production process, is captured by the lead firm—Apple—as profit. The figures for labour costs, by contrast, offer an insight into the relationship between capital and labour in the global economy, and the relative proportions of value that are captured by each. The costs of materials involved in production are vastly greater than the human input costs associated with labour. The proportion of profits flowing to the principal countries in which the iPhone is produced are insignificant compared with the profits that flow to a single private company” (Phillips, 2017, ‘Power and inequality in the global political economy’, p.43

Figure 2: Distribution of value for the iPhone, 2010



Source: Kenneth L. Kraemer, Greg Linden and Jason Dedrick, ‘Capturing value in global networks: Apple’s iPad and iPhone’, July 2011, http://pcic.merage.uci.edu/papers/2011/value_ipad_iphone.pdf; reproduced with permission.

1.1. **Phillips suggests that Apple's global value chain unfairly benefits capital income over salaries. Do you agree? Form two groups of equal size:**

- **Team 'Milton Friedman':** You find that there are good reasons for the current distribution of value, make a list of arguments supporting your claim!
- **Team 'David Harvey':** You find that the current distribution of value is grotesque and unfair, convince the other team!

1.2. **Are there further relations of power at play? Reflect on the following social structures of inequality – race, gender, nationality. In how far are they constitutive of the Apple value chain? Find one example for each of them.**

1.3. **The role of consumers:** 'Fairphone' is an enterprise that aims to build a movement for fairer electronics by presenting every step of the production line (including mining of minerals, selection of manufacturing partners and distribution of profits) on its webpage. Apart from promoting a controlled 'ethical' value chain, Fairphone presents smartphones as storytelling devices with the potential to uncover how products are made. It allows consumers to monitor the enforcement of social standards.

Such 'ethical' consumption presents scholars of IPE with a complex dilemma. On the one hand, it offers a powerful critique of 'commodity fetishism' and serves as an important tool to politicise unacceptable working conditions. On the other hand, 'ethical' products are big business. A sense emerges whereby ethical concerns are commoditised and marketed to particular consumer segments, only to leave the larger contours of global capitalism intact. **What can be done? Could 'ethical' production become universal? Who should be made responsible for this task? Governments? Producers? Consumers? Who can afford ethical, organic, or Fair Trade produce?**



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